

**Table A-2**  
Changes in City of Fairfield's Net Position  
(In million dollars)

	<u>2014</u>	<u>2013</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	2.5	2.7	-7
Operating Grants and Contributions	.2	.1	100
Capital Grants and Contributions	.0	.0	**
General Revenues:			
Taxes	3.7	3.4	9
Investment Earnings	.0	.0	**
Other	.1	.2	-50
Total Revenues	<u>6.5</u>	<u>6.4</u>	<u>2</u>
General Government	.5	.5	0
Public Safety	1.3	1.2	8
Highways and Streets	.6	.5	20
Culture and Recreation	.3	.3	0
Public Services	.0	.0	**
Other	.1	.0	**
Water and Sewer	2.4	2.6	-8
Economic Development	1.4	1.2	17
Total Expenses	<u>6.6</u>	<u>6.3</u>	<u>5</u>
Excess (Deficiency) Before Other Resources, Uses and Transfers:			
Other Resources (Uses)	0	0	**
Transfers In (Out)	0	0	**
Increase (Decrease) in Net Position	<u>-.1</u>	<u>.1</u>	<u>-200</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4.3 million.
- However, the amount that our taxpayers paid for these activities through property taxes was \$.743 million.
- Some of the cost was paid by those who directly benefited from services \$.270 million.

**Table A-3**  
Net Cost of Selected City Functions  
(in millions of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
General Government	.5	.5	0	.5	.5	0
Public Safety	1.3	1.2	8	1.1	1.1	0
Highways and Streets	.6	.5	20	.6	.5	20

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$4.3 million, while the previous year it was \$3.8 million due partly to the increase in fines and grants. Revenues from business-type activities totaled \$2.3 million, while the previous year it was \$2.6 million. This resulted from decreased volumes, rates and changes in sanitation billing.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget several times. Even with these adjustments, actual expenditures were \$929,480 below the budgeted amount.

On the other hand, resources available were 654,871 below the final budgeted amount due to over estimating sales tax revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the City had invested \$21,934,346 in a broad range of capital assets, including land, construction in progress, infrastructure, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$26,555 or .01% percent over last year.

**Table A-4**  
City's Capital Assets  
(In millions of dollars)

	<u>2014</u>	<u>2013</u>	<u>Total Percentage Change 2014-2013</u>
Land	.4	.4	0
Construction in progress	.0	.0	0
Leased Assets	.1	.1	0
Equipment and improvements	4.1	4.0	3
Buildings & Water System	16.9	16.9	0
Infrastructure	.4	.4	0
Totals at historical cost	<u>21.9</u>	<u>21.8</u>	0
Total accumulated depreciation	<u>( 10.5)</u>	<u>(9.5)</u>	-11
Net capital assets	<u>11.4</u>	<u>12.3</u>	-7

The City's fiscal year 2015 capital budget projects spending do not reflect any major projects. More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end the City had \$3,200,961 in bonds, notes and leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
**City's Long Term Debt**  
(In millions of dollars)

	<u>2014</u>	<u>2013</u>	Total Percentage Change <u>2013-2014</u>
Leases payable	.1	.1	0
Bonds payable	2.7	3.2	-16
Notes payable	.4	.4	0
Compensated absences	.0	.0	**
Less deferred amount			
On refundings	(0)	(0)	**
Total bonds & notes payable	<u>3.2</u>	<u>3.7</u>	-14

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's budgetary general fund balance is expected to remain stable by the close of fiscal year 2015. More detailed information about the City's economic status is presented in the notes to the financial statements.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Fairfield's Business Services Department at 222 South Mount Street, Fairfield, Texas 75840 or phone number 903-389-2633.

## *Basic Financial Statements*

**CITY OF FAIRFIELD**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS</b>				
<i>Cash and Cash Equivalents</i>	\$ 1,572,602	\$ 2,266,263	\$ 3,838,865	\$ 1,115,450
<i>Receivables (net of allowances for uncollectibles)</i>	60,266	280,425	340,691	--
<i>Internal Balances</i>	--	--	--	--
Restricted Assets:				
<i>Cash</i>	--	286,631	286,631	--
Capital Assets (net of accumulated depreciation):				
<i>Land</i>	118,054	271,361	389,415	2,673,360
<i>Buildings &amp; Equipment, net</i>	3,636,999	7,393,292	11,030,291	55,120
<b>Total Assets</b>	<b>5,387,921</b>	<b>10,497,972</b>	<b>15,885,893</b>	<b>3,843,930</b>
<b>LIABILITIES</b>				
<i>Accounts Payable and Other Current Liabilities</i>	49,186	40,226	89,412	34,528
<i>Consumer Deposits</i>	--	75,860	75,860	--
<i>Accrued Interest Payable</i>	--	8,359	8,359	--
Noncurrent Liabilities-				
<i>Due within one year</i>	82,384	340,000	422,384	--
<i>Due in more than one year</i>	398,577	2,380,000	2,778,577	--
<b>Total Liabilities</b>	<b>530,147</b>	<b>2,844,445</b>	<b>3,374,592</b>	<b>34,528</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	3,274,092	4,936,294	8,210,386	2,728,480
Restricted For:				
Debt Service	662	286,631	287,293	--
Capital Projects	(57)	--	(57)	--
Other Purposes	675,941	--	675,941	--
Unrestricted	907,136	2,430,602	3,337,738	1,080,922
<b>Total Net Position</b>	<b>\$ 4,857,774</b>	<b>\$ 7,653,527</b>	<b>\$ 12,511,301</b>	<b>\$ 3,809,402</b>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRFIELD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General Government	\$ 498,680	\$ 2,356	\$ 20,860
Public Safety	1,257,577	141,220	--
Highways & Streets	555,971	--	--
Culture & Recreation	319,815	--	--
Economic Development	1,413,230	126,481	--
Grant Expenditures	187,286	--	187,286
Interest and Fiscal Charges	18,884	--	--
Total Governmental Activities	<u>4,251,443</u>	<u>270,057</u>	<u>208,146</u>
Business-type Activities:			
City Water and Sewer	1,869,291	1,790,747	--
TDCJ Water & Sewer	512,983	486,534	--
Total Business-type Activities	<u>2,382,274</u>	<u>2,277,281</u>	<u>--</u>
Total Primary Government	<u>\$ 6,633,717</u>	<u>\$ 2,547,338</u>	<u>\$ 208,146</u>
<b>COMPONENT UNIT:</b>			
Industrial Development Corporation	<u>\$ 243,386</u>	<u>\$ --</u>	<u>\$ --</u>

**General Revenues:**

*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Taxes, Hotel-Motel*  
*License and Permits*  
*Investment Earnings*  
*Miscellaneous*

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (475,464)		\$ (475,464)	
(1,116,357)		(1,116,357)	
(555,971)		(555,971)	
(319,815)		(319,815)	
(1,286,749)		(1,286,749)	
--		--	
(18,884)		(18,884)	
<u>(3,773,240)</u>		<u>(3,773,240)</u>	
--	\$ (78,544)	(78,544)	
--	(26,449)	(26,449)	
--	<u>(104,993)</u>	<u>(104,993)</u>	
<u>(3,773,240)</u>	<u>(104,993)</u>	<u>(3,878,233)</u>	

\$ (243,386)

743,152	--	743,152	--
2,350,596	--	2,350,596	587,309
277,332	--	277,332	--
318,231	--	318,231	--
14,878	--	14,878	--
3,935	--	3,935	2,911
115,346	--	115,346	17,565
<u>(433,235)</u>	433,235	--	--
3,390,235	433,235	3,823,470	607,785
<u>(383,005)</u>	<u>328,242</u>	<u>(54,763)</u>	<u>364,399</u>
5,240,779	7,432,893	12,673,672	3,057,841
--	<u>(107,608)</u>	<u>(107,608)</u>	387,162
<u>\$ 4,857,774</u>	<u>\$ 7,653,527</u>	<u>\$ 12,511,301</u>	<u>\$ 3,809,402</u>

**CITY OF FAIRFIELD****BALANCE SHEET - GOVERNMENTAL FUNDS****SEPTEMBER 30, 2014**

	General Fund	Hotel/ Motel Fund
ASSETS		
Assets:		
Cash and Cash Equivalents	\$ 896,718	\$ 659,803
Receivables ( net of allowances for uncollectibles)	18,569	--
Total Assets	\$ 915,287	\$ 659,803
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 49,186	\$ --
Total Liabilities	49,186	--
Deferred Inflows of Resources		
Unavailable Revenue-Property Taxes	18,569	--
Total Deferred Inflows of Resources	18,569	--
Fund Balances:		
Restricted Fund Balances:		
Restricted for Capital Assets	--	--
Restricted for Other Purposes	--	659,803
Unassigned	847,532	--
Total Fund Balance	847,532	659,803
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 915,287	\$ 659,803

The accompanying notes are an integral part of this statement.



## EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 16,081	\$ 1,572,602
41,697	--	60,266
<u>\$ 41,697</u>	<u>\$ 16,081</u>	<u>\$ 1,632,868</u>
\$ --	\$ --	\$ 49,186
--	--	48,186
41,697	--	60,266
<u>41,697</u>	<u>--</u>	<u>60,266</u>
--	(57)	(57)
--	16,138	675,941
--	--	847,532
<u>--</u>	<u>16,081</u>	<u>1,523,416</u>
<u>\$ 41,697</u>	<u>\$ 16,081</u>	<u>\$ 1,632,868</u>

**CITY OF FAIRFIELD**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014*

Total fund balances - governmental funds balance sheet	\$ 1,523,416
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,755,053
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	60,266
Payables for capital leases which are not due in the current period are not reported in the funds.	(84,257)
Payables for notes which are not due in the current period are not reported in the funds.	<u>(396,704)</u>
Net position of governmental activities - Statement of Net Position	\$ <u>4,857,774</u>

The accompanying notes are an integral part of this statement.

# CITY OF FAIRFIELD

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Hotel/ Motel Fund
Revenue:		
General Property Taxes	\$ 160,991	\$ --
General Sales and Use Taxes	2,349,238	--
Franchise Taxes	277,332	--
Taxes, Hotel-Motel	--	318,231
License and Permits	14,878	--
Intergovernmental	313,767	18,621
Charges for Services	2,356	--
Fines	141,220	--
Investment Earnings	2,665	1,257
Miscellaneous	115,346	--
Total revenues	<u>3,377,793</u>	<u>338,109</u>
Expenditures:		
Current		
General Government	450,977	--
Public Safety	1,134,605	--
Highway & Streets	502,851	--
Culture & Recreation	289,258	--
Economic Development and Assistance	777,877	500,326
Grant Expenditures	187,286	--
Debt Service		
Principal	70,967	--
Interest and Fiscal Charges	18,884	--
Capital Outlay		
Equipment	26,555	--
Total Expenditures	<u>3,459,260</u>	<u>500,326</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(81,467)</u>	<u>(162,217)</u>
Other Financing Sources (Uses):		
Operating Transfers In	141,738	--
Transfers in-Note Proceeds	17,703	--
Operating Transfers Out	--	--
Total Other Financing Sources (Uses)	<u>159,441</u>	<u>--</u>
Net Change in Fund Balances	77,974	(162,217)
Fund Balances - Beginning	769,558	822,020
Fund Balances - Ending	<u>\$ 847,532</u>	<u>\$ 659,803</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 574,973	\$ --	\$ 735,964
--	1,358	2,350,596
--	--	277,332
--	--	318,231
--	--	14,878
--	2,239	334,627
--	--	2,356
--	--	141,220
--	13	3,935
--	--	115,346
<u>574,973</u>	<u>3,610</u>	<u>4,294,485</u>
--	57	451,034
--	2,817	1,137,422
--	--	502,851
--	--	289,258
--	--	1,278,203
--	--	187,286
--	--	70,967
--	--	18,884
--	--	26,555
<u>--</u>	<u>2,874</u>	<u>3,962,460</u>
<u>574,973</u>	<u>736</u>	<u>332,025</u>
--	--	141,738
--	--	17,703
(574,973)	--	(574,973)
<u>(574,973)</u>	<u>--</u>	<u>(415,532)</u>
--	736	(83,507)
--	15,345	1,606,923
\$ --	\$ 16,081	\$ 1,523,416

**CITY OF FAIRFIELD**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds \$ (83,507)

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	26,555
The depreciation of capital assets used in governmental activities is not reported in the funds.	(386,505)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	7,188
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(17,703)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	21,646
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	49,321
	<hr/>

Change in net position of governmental activities - Statement of Activities \$ (383,005)

The accompanying notes are an integral part of this statement.

**CITY OF FAIRFIELD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	Enterprise Fund City Water & Sewer Fund	Enterprise Fund TDCJ Water & Sewer Fund	Total Enterprise Funds
<b>ASSETS:</b>			
<b>Current Assets:</b>			
<i>Cash and Cash Equivalents</i>	\$ 1,213,708	\$ 1,052,555	\$ 2,266,263
<i>Receivables ( net of allowances for uncollectibles)</i>	235,344	45,081	280,425
Total Current Assets	<u>1,449,052</u>	<u>1,097,636</u>	<u>2,546,688</u>
<b>Noncurrent Assets:</b>			
<i>Restricted Cash, Cash Equivalents and Investments- Cash</i>	286,631	--	286,631
<b>Capital Assets:</b>			
<i>Land</i>	271,361	--	271,361
<i>Property, Plant and Equipment-Net</i>	6,745,486	647,806	7,393,292
Total Noncurrent Assets	<u>7,303,478</u>	<u>647,806</u>	<u>7,951,284</u>
Total Assets	<u>8,752,530</u>	<u>1,745,442</u>	<u>10,497,972</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
<i>Accounts payable</i>	26,235	13,991	40,226
<i>Consumer deposits</i>	75,860	--	75,860
<i>Accrued Interest Payable</i>	6,288	2,071	8,359
<b>Current Liabilities Payable from Restricted Assets-</b>			
<i>Revenue bonds payable</i>	276,200	63,800	340,000
<b>Long Term Liabilities Payable from Restricted Assets-</b>			
<i>Revenue Bonds Payable</i>	2,049,300	330,700	2,380,000
Total Liabilities	<u>2,433,883</u>	<u>410,562</u>	<u>2,844,445</u>
<b>NET POSITION:</b>			
<i>Net Investment in Capital Assets</i>	4,685,059	251,235	4,936,294
<b>Restricted For:</b>			
<i>Debt Service</i>	286,631	--	286,631
<i>Unrestricted Net Position</i>	1,346,957	1,083,645	2,430,602
Total Net Position	<u>\$ 6,318,647</u>	<u>\$ 1,334,880</u>	<u>\$ 7,653,527</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRFIELD**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise Fund City Water & Sewer Fund	Enterprise Fund TDCJ Water & Sewer Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
<i>Water</i>	\$ 1,075,323	\$ 209,968	\$ 1,285,291
<i>Sewer</i>	426,098	139,968	566,066
<i>Miscellaneous</i>	--	136,598	136,598
<i>Sanitation</i>	289,326	--	289,326
Total Operating Revenues	<u>1,790,747</u>	<u>486,534</u>	<u>2,277,281</u>
<b>OPERATING EXPENSES:</b>			
<i>Personal Services</i>	418,637	80,804	499,441
<i>Contractual Services</i>	760,941	194,936	955,877
<i>Supplies &amp; Materials</i>	143,044	37,015	180,059
<i>Depreciation</i>	481,285	64,379	545,664
<i>Intergovernmental Contracts</i>	--	122,809	122,809
Total Operating Expenses	<u>1,803,907</u>	<u>499,943</u>	<u>2,303,850</u>
Operating Income	<u>(13,160)</u>	<u>(13,409)</u>	<u>(26,569)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
<i>Interest Expense &amp; Fees</i>	(65,384)	(13,040)	(78,424)
Total Non-operating Revenues (Expenses)	<u>(65,384)</u>	<u>(13,040)</u>	<u>(78,424)</u>
Income before Transfers	<u>(78,544)</u>	<u>(26,449)</u>	<u>(104,993)</u>
<i>Operating Transfers In</i>	404,511	170,462	574,973
<i>Operating Transfers Out</i>	(141,738)	--	(141,738)
Change in Net Position	<u>184,229</u>	<u>144,013</u>	<u>328,242</u>
Total Net Position - Beginning	6,242,026	1,190,867	7,432,893
Prior Period Adjustment	(107,608)	--	(107,608)
Total Net Position - Ending	<u>\$ 6,318,647</u>	<u>\$ 1,334,880</u>	<u>\$ 7,653,527</u>

The accompanying notes are an integral part of this statement.

**CITY OF FAIRFIELD****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds		
	City Water & Sewer Fund	TDCJ Water & Sewer Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 1,793,054	\$ 488,203	\$ 2,281,257
Cash Payments to Employees for Services	(416,499)	(80,804)	(497,303)
Cash Payments to Other Suppliers for Goods and Services	(909,362)	(361,120)	(1,270,482)
Net Cash Provided (Used) by Operating Activities	467,193	46,279	513,472
<b>Cash Flows from Non-capital Financing Activities:</b>			
Transfers From Other Funds	404,511	170,462	574,973
Transfers (To) Other Funds	(141,738)	--	(141,738)
Net Cash Provided (Used) by Non-capital Financing Activities	262,773	170,462	433,235
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Paid	(333,400)	(156,600)	(490,000)
Interest Paid	(65,384)	(13,040)	(78,424)
Net Cash Provided (Used) for Capital & Related Financing Activities	(398,784)	(169,640)	(568,424)
<b>Cash Flows from Investing Activities:</b>			
Interest and Dividends on Investments	--	--	--
Net Cash Provided (Used) for Investing Activities	--	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	331,182	47,101	378,283
Cash and Cash Equivalents at Beginning of Year	882,526	1,005,454	1,887,980
Cash and Cash Equivalents at End of Year	\$ 1,213,708	\$ 1,052,555	\$ 2,266,263
<b>Reconciliation of Operating Income to Net Cash   Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (13,160)	\$ (13,409)	\$ (26,569)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	481,285	64,379	545,664
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	2,307	1,669	3,976
Decrease (Increase) in Restricted Cash	--	--	--
Increase (Decrease) in Accounts Payable	(5,497)	(5,538)	(11,035)
Increase (Decrease) in Accrued Expenses	(1,354)	(822)	(2,176)
Increase (Decrease) in Consumer Deposits	3,612	--	3,612
Total Adjustments	480,353	59,688	540,041
Net Cash Provided (Used) by Operating Activities	\$ 467,193	\$ 46,279	\$ 513,472

The accompanying notes are an integral part of this statement.



**CITY OF FAIRFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Summary of Significant Accounting Policies**

The combined financial statements of City of Fairfield (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has one component unit. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Hotel/Motel Fund. This fund collects lodging tax receipts and spends funds in accordance with promotion of the community.

Debt Service Fund. This fund collects property taxes dedicated to bond payments and accounts for the disbursement of those funds.

The City reports the following major enterprise funds:

City Water and Sewer Fund. This is the City's primary enterprise operating fund and accounts for all customers and financial resources of the enterprise fund.

TDCJ Water and Sewer Fund. This is the City's primary enterprise operating fund and accounts for all revenue and expenses associated with providing servicing to the TDCJ unit.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings	50
Building Improvements	30-40
Vehicles	10
Office Equipment	10
Computer Equipment	10

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There is an allowance for uncollectible utility receivables of \$82,688 included in the receivable amount.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

On retirement or death of certain employees, the City pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. These items will be recorded as expenses when funds are expended.

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g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

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j. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

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**C. Deposits and Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,125,496 and the bank balance was \$4,371,545. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit included in cash	N/A	\$ 275,000
Total Investments		<u>\$ 275,000</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2014, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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**D. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 118,054	\$ --	\$ --	\$ 118,054
Total capital assets not being depreciated	118,054	--	--	118,054
<i>Capital assets being depreciated:</i>				
Infrastructure	411,177	--	--	411,177
Buildings and improvements	2,680,854	--	--	2,680,854
Equipment	2,985,447	26,555	--	3,012,002
Leased Assets	126,577	--	--	126,577
Total capital assets being depreciated	6,204,055	26,555	--	6,230,610
Less accumulated depreciation for:				
Infrastructure	(26,862)	(16,446)	--	(43,308)
Buildings and improvements	(677,091)	(94,131)	--	(771,222)
Equipment	(1,452,522)	(263,270)	--	(1,715,792)
Leased Assets	(50,631)	(12,658)	--	(63,289)
Total accumulated depreciation	(2,207,106)	(386,505)	--	(2,593,611)
Total capital assets being depreciated, net	3,996,949	(359,950)	--	3,636,999
Governmental activities capital assets, net	\$ 4,115,003	\$ (359,950)	\$ --	\$ 3,755,053

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 271,361	\$ --	\$ --	\$ 271,361
Total capital assets not being depreciated	271,361	--	--	271,361
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,221,869	--	--	14,221,869
Equipment	1,092,452	--	--	1,092,452
Total capital assets being depreciated	15,314,321	--	--	15,314,321
Less accumulated depreciation for:				
Buildings and improvements	(6,282,913)	(498,867)	--	(6,781,780)
Equipment	(1,092,452)	(46,797)	--	(1,139,249)
Total accumulated depreciation	(7,375,365)	(545,664)	--	(7,921,029)
Total capital assets being depreciated, net	7,938,956	(545,664)	--	7,393,292
Business-type activities capital assets, net	\$ 8,210,317	\$ (545,664)	\$ --	\$ 7,664,653

Depreciation was charged to functions as follows:

General Government	\$ 47,646
Public Safety	120,155
Highways and Streets	53,120
Culture and Recreation	30,557
Economic Development Assistance	135,027
	<u>\$ 386,505</u>



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**E. Interfund Balances and Activity**

1. Due To and From Other Funds

There were no due to and due from other funds at September 30, 2014.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
City W&S Fund	General Fund	\$ 141,738	Supplement other funds sources
Debt Service Fund	City W&S Fund	404,511	Supplement other funds sources
Debt Service Fund	TDCJ W&S Fund	170,462	Supplement other funds sources
	Total	<u>\$ 716,711</u>	

**F. Long-Term Obligations**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
Capital Leases	\$ 105,903	\$ --	\$ (21,646)	\$ 84,257	\$ 22,604
Notes	428,322	17,703	(49,321)	396,704	59,780
Total governmental activities	<u>\$ 534,225</u>	<u>\$ 17,703</u>	<u>\$ (70,967)</u>	<u>\$ 480,961</u>	<u>\$ 82,384</u>

**Leases**

The City owes \$288,049 at the rate of 4.71% for fire trucks. The leases are repayable in annual payments of \$92,459 to \$26,328 ending in 2018. The balance at September 30, 2014 is \$84,257.

**Loans**

The City borrowed \$452,669 at the rate of 3.33% for a fire truck. The loan is repayable in annual payments of \$53,316 ending in 2022. The balance at September 30, 2014 is \$369,086.

The City borrowed \$19,545 at the rate of 2.95% for a pickup. The loan is repayable in annual payments of \$10,207 ending in 2015. The balance at September 30, 2014 is \$9,915.

The City borrowed \$17,703 at the rate of 2.95% for a police vehicle. The loan is repayable in annual payments of \$8,851 ending in 2016. The balance at September 30, 2014 is \$17,703.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b><u>Business-type activities:</u></b>					
Water & Sewer Combination	\$ 2,250,000	\$ --	\$ (220,000)	\$ 2,030,000	\$ 230,000
Water & Sewer Refunding Bn	960,000	--	(270,000)	690,000	110,000
Total business-type activities	<u>\$ 3,210,000</u>	<u>\$ --</u>	<u>\$ (490,000)</u>	<u>\$ 2,720,000</u>	<u>\$ 340,000</u>

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Bonds

This is an original \$4,415,000, 2002 Series Water & Sewer Combination Bonds, due in annual installments ranging from \$185,000 to \$280,000 @ .25% to 2.90% interest rate maturing September 2022. The balance at September 30, 2014 is \$2,030,000.

This is an original \$1,735,000, 2010 Series Water & Sewer Refunding Bonds, due in annual installments ranging from \$110,000 to \$305,000 @ 2.013% interest rate maturing July 2020. The balance at September 30, 2014 is \$690,000. The issue was used to retire three series of previously issued bonds.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Governmental Activities-Leases		
	Principal	Interest	Total
2015	\$ 22,604	\$ 3,664	\$ 26,268
2016	23,685	2,646	26,331
2017	24,703	1,628	26,331
2018	13,265	610	13,875
Totals	<u>\$ 84,257</u>	<u>\$ 8,548</u>	<u>\$ 92,805</u>

Year Ending September 30,	Governmental Activities-Notes		
	Principal	Interest	Total
2015	\$ 59,780	\$ 13,116	\$ 72,896
2016	51,233	11,196	62,429
2017	43,794	9,522	53,316
2018	45,254	8,062	53,316
2019	46,762	6,554	53,316
2020-2024	149,881	10,102	159,983
Totals	<u>\$ 396,704</u>	<u>\$ 58,552</u>	<u>\$ 455,256</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 340,000	\$ 70,580	\$ 410,580
2016	345,000	63,320	408,320
2017	350,000	55,716	405,716
2018	365,000	46,656	411,656
2019	375,000	36,956	411,956
2020-2024	945,000	53,366	998,366
Totals	<u>\$ 2,720,000</u>	<u>\$ 326,594</u>	<u>\$ 3,046,594</u>

3. Capital Leases

Lease Expenditures in 2014 \$ 26,328

The effective interest rate on capital leases is 4.710%.

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**G. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**H. Pension Plan**

**1. Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are: 5 yrs/age 60; 25 yrs/any age. The Updated Service Credit is 100% repeating and the Annuity Increase (to retirees) is 70% of CPI.

**2. Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

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Annual Required Contribution (ARC)	\$ 50,909
Interest on Net Pension Obligation	--
Adjustment to the ARC	--
Annual Pension Cost (APC)	50,909
Contributions Made	(53,820)
Increase (Decrease) in Net Pension Obligation	(2,911)
Net Pension Obligation/(Asset), Beginning of Year	2,911
Net Pension Obligation/(Asset), End of Year	\$ --

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Active Plan Members Cont Rate
September 30, 2012	\$ 94,984	100.0%	\$ --	3.17%
September 30, 2013	54,487	94.7%	(2,911)	3.32%
September 30, 2014	50,909	106.0%	--	3.15%

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	2011 Unit Credit	2012 Unit Credit	2013 Unit Credit
Actuarial Method			
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.1 years; closed period	25.0 years; closed period	25.0 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Assumptions:			
Investment Return	7.5%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living adjustments	2.1%	2.1%	2.1%

For funded status as of December 31, 2013, please reference the Schedule of Funding Progress in the Required Supplementary Information section.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**CITY OF FAIRFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**4. Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12 month period proceeding the month of death): retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years 2014, 2013 and 2012 were \$3,527, \$3,505 and \$3,182 based on an actual contribution rate of 0.21%, 0.21% and 0.18%, respectively.

**I. Health Care Coverage**

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$490 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2014, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Texas Municipal League are available for the year ended December 31, 2014, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**J. Commitments and Contingencies**

**1. Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**CITY OF FAIRFIELD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

2. Litigation

No reportable litigation was pending against the City at September 30, 2014.

K. Prior Period Adjustment

Due to the adoption of GASB No. 65, the City has removed prior deferred bond issuance costs of \$107,608 by reducing the beginning net position in the Water and Sewer Fund by the same amount.

Based on an analysis by an independent accountant that reviewed the prior financial history of the Fairfield Industrial Development Corporation, a component unit of the City of Fairfield the fund balance was increased by \$387,162.

L. New Pronouncements

During 2014 the City also adopted the provisions of GASB Statement No. 65 and 66. "*Items Previously Reported as Assets and Liabilities*" and "*Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62.*" These provisions recognize certain items previously reported as assets or liabilities as deferred outflows or resources (expenses or expenditures) or deferred inflows of resources (revenues) and resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF FAIRFIELD**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes	\$ 149,789	\$ 149,789	\$ 160,991	\$ 11,202
General Sales and Use Taxes	2,900,000	2,900,000	2,349,238	(550,762)
Franchise Taxes	295,500	295,500	277,332	(18,168)
License and Permits	3,500	3,500	14,878	11,378
Intergovernmental	142,116	329,402	313,767	(15,635)
Charges for Services	6,000	6,000	2,356	(3,644)
Fines	200,000	200,000	141,220	(58,780)
Investment Earnings	3,500	3,500	2,665	(835)
Miscellaneous	144,973	144,973	115,346	(29,627)
Total revenues	<u>3,845,378</u>	<u>4,032,664</u>	<u>3,377,793</u>	<u>(654,871)</u>
Expenditures:				
General Government	492,872	492,872	450,982	41,890
Public Safety	1,395,481	1,305,630	1,134,605	171,025
Highway & Streets	678,108	678,108	502,851	175,257
Culture & Recreation	426,417	426,417	289,258	137,159
Economic Development and Assistance	934,431	934,431	777,877	156,554
Grant Expenditures	--	187,286	187,286	--
Principal	--	70,967	70,967	--
Interest and Fiscal Charges	--	18,884	18,884	--
Equipment	274,145	274,145	26,550	247,595
Total Expenditures	<u>4,201,454</u>	<u>4,388,740</u>	<u>3,459,260</u>	<u>929,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(356,076)</u>	<u>(356,076)</u>	<u>(81,467)</u>	<u>274,609</u>
Other Financing Sources (Uses):				
Operating Transfers In	366,738	366,738	141,738	(225,000)
Transfers in-Note Proceeds	--	--	17,703	17,703
Total Other Financing Sources (Uses)	<u>366,738</u>	<u>366,738</u>	<u>159,441</u>	<u>207,297</u>
Net Change in Fund Balances	10,662	10,662	77,974	67,312
Fund Balances - Beginning	769,558	769,558	769,558	--
Fund Balances - Ending	<u>\$ 780,220</u>	<u>\$ 780,220</u>	<u>\$ 847,532</u>	<u>\$ 67,312</u>



**CITY OF FAIRFIELD****REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
YEAR ENDED SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 4,756,818	\$ 4,254,521	\$ (502,297)	111.8%	\$ 1,533,428	-32.8%
12/31/2012	4,514,104	3,901,953	(612,151)	115.7%	1,669,209	-36.7%
12/31/2011	4,296,680	3,761,738	(534,942)	114.2%	1,711,394	-31.3%

**CITY OF FAIRFIELD**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-2

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>General Property Taxes</i>	\$ 575,000	\$ 574,973	\$ (27)
Total revenues	575,000	574,973	(27)
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	575,000	574,973	(27)
Other Financing Sources (Uses):			
<i>Operating Transfers Out</i>	(575,000)	(574,973)	(27)
Total Other Financing Sources (Uses)	(575,000)	(574,973)	(27)
Net Change in Fund Balances	--	--	--
Fund Balances - Beginning	--	--	--
Fund Balances - Ending	\$ --	\$ --	\$ --

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**HUDSON ANDERSON, CPA**

**FRANK MARX, III, CPA**

**DORI BOHL, CPA& CFE**

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

City Council  
City of Fairfield  
222 South Mount Street  
Fairfield, Texas 75840

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fairfield, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Fairfield's basic financial statements, and have issued our report thereon dated March 18, 2015.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Fairfield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairfield's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fairfield's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fairfield's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas

March 18, 2015

**CITY OF FAIRFIELD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

       Yes        X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?

       Yes        X   None Reported

Noncompliance material to financial  
statements noted?

       Yes        X   No

**B. Financial Statement Findings**

None Noted

**CITY OF FAIRFIELD****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Bank Reconciliations not done	Corrected	

**CITY OF FAIRFIELD**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

none noted, so none required



CITY OF FAIRFIELD

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2015*

City of Fairfield  
Annual Financial Report  
For The Year Ended September 30, 2015

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City of Fairfield  
Annual Financial Report  
For The Year Ended September 30, 2015

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## *Financial Section*

# **ANDERSON, MARX & BOHL, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA  
FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE

## **Independent Auditors' Report**

To the City Council  
City of Fairfield  
222 South Mount Street  
Fairfield, Texas 75840

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairfield ("the City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fairfield as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, City of Fairfield adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfield's basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016 on our consideration of City of Fairfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairfield's internal control over financial reporting and compliance.

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
March 15, 2016

# CITY OF FAIRFIELD

222 SOUTH MOUNT STREET  
FAIRFIELD, TEXAS 75840

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Fairfield's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

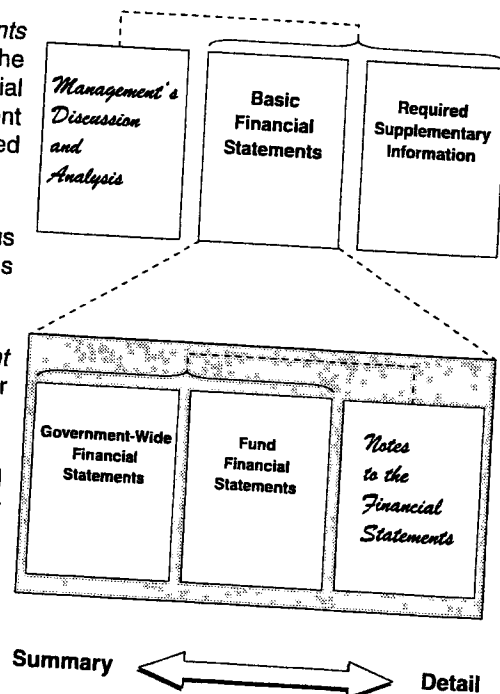
- The City's total combined net position on financial statement exhibit A-1 was \$13,528,709 at September 30, 2015.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$155,670 less than the \$6,118,754 generated in taxes and other revenues for all activities. The total cost of the City's programs on financial statement exhibit A-5 decreased \$535,580 from last year. Economic Development Expenditures accounted for the major decrease.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$913,944. The City began the current year with a general fund balance in the amount of \$847,532.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status, but also a legally separate industrial development corporation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
- *Business Activities* statements provide information about for profit activities.

Figure A-1, Required Components of the City's Annual Financial Report





The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental and Business-type activities*. Most of the City's basic services are included here, such as public safety, sanitation, culture and recreation, street maintenance, water and sewer and general administration. Property taxes and grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—The City provides water and sewer services to its citizens and charges fees to pay for this service. These activities are accounted for on the accrual basis of accounting.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$13.5 million at September 30, 2015. (See Table A-1).

**Table A-1**  
City of Fairfield's Net Position  
(In million dollars)

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change 2015-2014</u>
Current assets:			
Cash and cash equivalents	4.4	3.8	16
Investments	.0	.0	**
Due from other governments	.0	.0	**
Due from other funds	.0	.0	**
Other receivables	.3	.4	-25
Net Pension Asset	.9	.0	**
Total current assets:	<u>5.6</u>	<u>4.2</u>	33
Noncurrent assets:			
Land, furniture and equipment	21.9	21.9	0
Less accumulated depreciation	(11.3)	(10.5)	-8
Other assets	.3	.3	0
Total noncurrent assets	<u>10.9</u>	<u>11.7</u>	-7
Total Assets	<u>16.5</u>	<u>15.9</u>	4
Deferred Outflows of Resources	<u>.1</u>	<u>.0</u>	**
Current liabilities:			
Accounts payable and accrued liabilities	.1	.1	0
Consumer deposits	.1	.1	0
Due to other funds	.0	.0	**
Deferred revenue	0	0	**
Total current liabilities	<u>.2</u>	<u>.2</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.4	.4	0
Noncurrent liabilities due more than 1 yr	2.4	2.8	-14
Total Liabilities	<u>3.0</u>	<u>3.4</u>	-12
Deferred Inflows of Resources	<u>.1</u>	<u>.0</u>	**
Net Position:			
Invested in capital assets, net of debt	7.7	8.2	-6
Restricted	1.1	1.0	10
Unrestricted	4.7	3.3	42
Total Net Position	<u>13.5</u>	<u>12.5</u>	8

The City has restricted net position of \$1,064,852 that represents proceeds for servicing debt of \$328,328, \$23 for capital projects and \$736,501 for economic development. The \$4,699,531 of unrestricted net position represents resources to be available to fund the programs of the City next year.

**Changes in net position.** The City's total revenues were \$6,118,754. A significant portion, 55 percent, of the City's revenue comes from taxes, while 43 percent relates to charges for services.

The total cost of all programs and services was \$5,963,084; 62 percent of these costs are for governmental activities.

#### Governmental Activities

- Property tax revenues decreased by \$6,747 to \$736,405.