



**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2019**

***CITY OF NEW BOSTON, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
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**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**CITY OF NEW BOSTON  
CITY DIRECTORY**

**MAYOR  
Johnny L. Branson**

**CITY COUNCIL**

**David Turner**

**Jackie Laney**

**Sue Anderson**

**Robert Carr**

**Neilan Hensley**

**ADMINISTRATIVE STAFF**

**Elizabeth Lea, Interim City Administrator**

**Sharmin Hutto, City Secretary**

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Texas Society of  
Certified Public Accountants

## **Independent Auditor's Report**

Honorable Mayor and  
Members of the City Council  
City of New Boston, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of City of New Boston, Texas as of and for the year ended September 30, 2019, 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.

### **Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 units, and each major fund of City of New Boston, Texas, as of September 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## 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 schedule, schedule of changes in net pension liability and related ratios, schedule of contributions, schedule of changes in total OPEB liability and related ratios, and schedule of OPEB contributions on pages 4 through 12, and 44 through 48, respectively, 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.

*Scott, Singleton, Fincher and Company, PC*

Scott, Singleton, Fincher and Company, PC  
Certified Public Accountants  
Greenville, Texas  
May 4, 2020

***CITY OF NEW BOSTON, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENTS DISCUSSION AND ANALYSIS***

***City of New Boston, Texas***  
***Management's Discussion and Analysis***

Management's Discussion and Analysis (MD&A) for the city of New Boston is designed to:

- Assist the reader in focusing on significant financial issues;
- Provide an overview of the City's financial activities;
- Identify changes in the City's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations;
- Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
- Identify individual fund issues or concerns.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes that are provided in addition to this MD&A.

**Overview of the Financial Statements**

The MD&A requires supplementary information that introduces the reader to the basic financial statements and provides an overview of the City's financial activities. The City's basic financial statements consist of the following components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

A general description of the components of the basic financial statements follows.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements are designed to present the financial operations of the City as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. If the City determines that presentation of component units (which are other governmental units for which the City can exercise significant influence or for which the Primary Government financial statements would be misleading if component units information is not presented) is necessary to allow the reader to determine the relationship of the component units and primary government, the component units' information is presented in a separate column of the financial statements or in a separate footnote.



The focus is on the government-wide (entity-wide) Statement of Net Position and Statement of Activities to give the reader a broad overview of the City's financial position and results of operations.

a. The Statement of Net Position presents information on the City's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as Net Position. Over time, the increases or decreases in net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the City is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net position, the reader should refer to Note 1 - Significant Accounting Policies for an explanation of the components of net position.

b. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function (animal control, administrative, hotel motel, court, detention center, library, police protection, fire protection, public works, sanitation, and park) reduced by the Program Revenues (charges for services, operating grants and contributions, and capital grants and contributions) directly related to each respective function, to determine net costs of each function. The net costs of each function are normally covered by general revenues.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The city of New Boston uses two categories of funds to account for financial transactions: governmental funds and proprietary funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information 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. The city of New Boston's governmental funds include the General Fund for accounting for the City's basic services and the Debt Service Fund for accounting of debt payments.

The Proprietary Fund accounts for water, sewer, and sanitation services for the city of New Boston. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the City's more immediate decisions on the current use of financial resources. We describe the differences between government-wide financial statements (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

## Notes to the Financial Statements

When reviewing this MD&A, the reader should also refer to and review the Notes to the Financial Statements, as well as the Government-Wide and Fund Financial Statements.

### City Highlights

Unrestricted net position balance at September 30, 2019 in the governmental activities (including the General Fund) increased from \$1,161,334 to \$1,181,280. The business-type activities (consisting of the city's Public Works Funds) unrestricted net position balance increased from \$7,545,765 to \$7,938,160. Unrestricted net position represents the net balance accumulated by the City above the amount of net investment in capital assets and the amount for restricted net position (restricted because of constraints imposed by grantors, contributors, or by laws and regulations).

- For governmental activities, the total net investment in capital assets (after subtracting out debt owed on capital assets) increased from \$9,092,358 to \$9,162,423. For business type activities, the total of net investment in capital assets increased from \$4,520,695 to \$4,801,010.
- For governmental activities, the City's long-term debt at September 30, 2019, decreased from \$748,251 to \$539,820. For business-type activities, the City's long-term debt decreased from \$3,142,436 to \$2,867,261 for September 30, 2019.
- The most significant continuing revenue sources for governmental activities of the City consisted of \$951,971 in sales tax revenues and \$685,537 of property tax revenues. Charges for business-type activities of the utility fund (water, sewer, and sanitation charges) totaled \$3,627,591.

## Government-Wide Financial Analysis

### Statement of Net position

Included is a Statement of Net Position for the city of New Boston. The format allows the reader to view the overall financial position of the City.

|                                | City of New Boston<br>Net Position |                      |                          |                      | Component Units     |                     |
|--------------------------------|------------------------------------|----------------------|--------------------------|----------------------|---------------------|---------------------|
|                                | Governmental Activities            |                      | Business Type Activities |                      | NBCDC               | NBSIDC              |
|                                | 2019                               | 2018                 | 2019                     | 2018                 | 2019                | 2018                |
| Current assets                 | \$ 1,862,645                       | \$ 1,554,548         | \$ 8,228,053             | \$ 7,844,074         | \$ 3,082,680        | \$ 2,679,544        |
| Capital assets                 | 9,807,207                          | 9,932,843            | 5,294,319                | 5,103,891            | 671,180             | 685,329             |
| Noncurrent assets              | 63,536                             | 297,583              | 2,610,184                | 2,885,904            | -                   | -                   |
| Total Assets                   | <u>11,733,388</u>                  | <u>11,784,974</u>    | <u>16,132,556</u>        | <u>15,833,869</u>    | <u>3,753,860</u>    | <u>3,364,873</u>    |
| Deferred outflows of resources | <u>162,390</u>                     | <u>27,447</u>        | <u>91,982</u>            | <u>22,261</u>        | <u>-</u>            | <u>-</u>            |
| Current liabilities            | 606,123                            | 474,920              | 607,307                  | 589,430              | 107,476             | 7,476               |
| Long-term liabilities          | 539,820                            | 748,251              | 2,867,261                | 3,142,436            | -                   | -                   |
| Total Liabilities              | <u>1,145,943</u>                   | <u>1,223,171</u>     | <u>3,474,568</u>         | <u>3,731,866</u>     | <u>107,476</u>      | <u>7,476</u>        |
| Deferred inflows of resources  | <u>20,059</u>                      | <u>107,351</u>       | <u>10,800</u>            | <u>57,804</u>        | <u>-</u>            | <u>-</u>            |
| Net Position                   |                                    |                      |                          |                      |                     |                     |
| Net investment in              |                                    |                      |                          |                      |                     |                     |
| capital assets                 | 9,162,423                          | 9,092,358            | 4,801,010                | 4,520,695            | 671,180             | 685,329             |
| Restricted                     | 386,073                            | 228,207              | -                        | -                    | -                   | -                   |
| Unrestricted                   | 1,181,280                          | 1,161,334            | 7,938,160                | 7,545,765            | 2,975,204           | 2,672,068           |
| Total Net Position             | <u>\$ 10,729,776</u>               | <u>\$ 10,481,899</u> | <u>\$ 12,739,170</u>     | <u>\$ 12,066,460</u> | <u>\$ 3,646,384</u> | <u>\$ 3,357,397</u> |

### Governmental Activities - Statement of Net Position

The major component of the current assets category consists of cash and certificates of deposit of \$1,142,096. The balance in this category comprised of various receivables (amounts due) for taxes and for revenues due from intergovernmental agencies. The total for cash and cash equivalents reflects the City's past performance in meeting budgetary goals and the accumulation of resources for future needs of the City.

Capital assets totaling \$9,807,207 (net of accumulated depreciation) is the largest component of assets, and represents the City's investment in capital assets necessary to provide services to citizens of the city of New Boston. The major categories of fixed assets (land and buildings, machinery and equipment, streets, parks and improvements) reflect the type services currently provided to the City's residents.

Long-Term Debt Outstanding at fiscal year-end consists of \$554,181 of bonds payable, \$61,609 of OPEB liability, \$33,388 of compensated absence liability, \$94,292 of lease purchase obligations, and a note payable of \$110,075. The current portion of the long-term debt is included in the above table in current liabilities.

By far, the largest component of net position is net investment in capital assets at \$9,162,423. The balance of unrestricted net position was \$1,181,280. Restricted net position totaled \$386,073.

### Business-Type Activities - Statement of Net position

For business-type activities (utility fund), there are two major components of current assets. Unrestricted cash and certificates of deposit, totaling \$7,611,078 at fiscal year-end is available to support current operations and for long-range improvement of the utility system and for future debt requirements, and accounts receivable balances of \$331,839 that represent outstanding utility billings at fiscal year-end. Other lesser receivables are included in the current assets. Proceeds from a prior year bond issue are included in noncurrent assets in the amount of \$2,587,280.

Capital assets totaling \$5,294,319 represent the City's investment in equipment, vehicles, and systems and improvement for the water and sewer systems.

Long-term debt outstanding consists of \$3,087,116 of bonds to allow improvements to the utility system some, of which, is included in current liabilities, \$33,174 in OPEB liability, and \$19,430 of compensated absence liability. The balance of \$607,307 listed as current liabilities at fiscal year-end consists primarily of accounts payable, customer deposits payable, and the current portion of the bonds. Net investment in capital assets is a major component of net position for business-type activities (utility fund) with a total of \$4,801,010. Unrestricted Net Position of \$7,938,160.

## Statement of Activities

A Statement of Activities for the city of New Boston is presented below listing the major categories of revenues and expenses for the fiscal year ended September 30, 2019. An explanation of the components of this statement is included immediately following the table.

| <b>City of New Boston</b>                 |                                |                      |                                 |                      |                     | <b>Component Units</b> |               |
|---|--------------------------------|----------------------|---------------------------------|----------------------|---------------------|------------------------|---------------|
| <b>Statement of Activities</b>            |                                |                      |                                 |                      |                     | <b>NBSIDC</b>          | <b>NBSIDC</b> |
|   | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>NBCDC</b>        |                        |               |
|   | <b>2019</b>                    | <b>2018</b>          | <b>2019</b>                     | <b>2018</b>          | <b>2019</b>         | <b>2018</b>            |               |
| Revenues                                  |                                |                      |                                 |                      |                     |                        |               |
| Program Revenues:                         |                                |                      |                                 |                      |                     |                        |               |
| Charges for Services                      | \$ 234,876                     | \$ 182,814           | \$ 3,627,591                    | \$ 3,535,937         | \$ -                | \$ -                   |               |
| Operating Grants and Contributions        | 52,410                         | 28,365               | -                               | 22,050               | -                   | -                      |               |
| Capital Grants and Contributions          | -                              | 333,646              | -                               | -                    | -                   | -                      |               |
| General Revenues:                         |                                |                      |                                 |                      |                     |                        |               |
| Sales Taxes                               | 951,971                        | 943,602              | -                               | -                    | 475,167             | 472,983                |               |
| Property Taxes                            | 685,537                        | 661,585              | -                               | -                    | -                   | -                      |               |
| Franchise Fees                            | 128,534                        | 109,066              | -                               | -                    | -                   | -                      |               |
| Hotel/Motel Taxes                         | 247,344                        | 179,505              | -                               | -                    | -                   | -                      |               |
| Rents & Royalties                         | 220,167                        | 316,473              | -                               | -                    | 27,000              | 24,250                 |               |
| Interest and Other                        | 34,091                         | 103,892              | 176,050                         | 139,571              | 18,713              | 8,802                  |               |
| Total Revenues                            | <u>2,554,930</u>               | <u>2,858,948</u>     | <u>3,803,641</u>                | <u>3,697,558</u>     | <u>520,880</u>      | <u>506,035</u>         |               |
| Program Expenses:                         |                                |                      |                                 |                      |                     |                        |               |
| Animal Control                            | 4,118                          | 8,382                | -                               | -                    | -                   | -                      |               |
| Administrative                            | 202,226                        | 218,111              | -                               | -                    | 81,893              | 212,854                |               |
| Hotel/Motel                               | 123,000                        | 118,615              | -                               | -                    | -                   | -                      |               |
| Court                                     | 74,777                         | 64,108               | -                               | -                    | -                   | -                      |               |
| Detention Center                          | 227,398                        | 220,455              | -                               | -                    | -                   | -                      |               |
| Parks                                     | 75,672                         | 93,860               | -                               | -                    | -                   | -                      |               |
| Police                                    | 1,025,005                      | 865,757              | -                               | -                    | -                   | -                      |               |
| Street                                    | 292,859                        | 324,013              | -                               | -                    | -                   | -                      |               |
| Fire                                      | 247,625                        | 289,428              | -                               | -                    | -                   | -                      |               |
| Library                                   | 123,716                        | 68,291               | -                               | -                    | -                   | -                      |               |
| Building Inspection                       | 3,160                          | 14,307               | -                               | -                    | -                   | -                      |               |
| Emergency Management                      | 6,715                          | 7,526                | -                               | -                    | -                   | -                      |               |
| Debt Service                              | 24,070                         | 28,634               | -                               | -                    | -                   | -                      |               |
| Water and Sewer                           | -                              | -                    | 2,298,115                       | 2,251,914            | -                   | -                      |               |
| Sanitation                                | -                              | -                    | 529,790                         | 523,929              | -                   | -                      |               |
| Maintenance                               | -                              | -                    | 199,966                         | 194,537              | -                   | -                      |               |
| Grants and Special Projects               | -                              | -                    | -                               | -                    | 150,000             | 49,230                 |               |
| Total Expenses                            | <u>2,430,341</u>               | <u>2,321,487</u>     | <u>3,027,871</u>                | <u>2,970,380</u>     | <u>231,893</u>      | <u>262,084</u>         |               |
| Increase in Net Position before Transfers | 124,589                        | 537,461              | 775,770                         | 727,178              | 288,987             | 243,951                |               |
| Sale of fixed assets                      | 20,228                         | 44,112               | -                               | -                    | -                   | -                      |               |
| Transfers                                 | 103,060                        | 390,347              | (103,060)                       | (390,347)            | -                   | -                      |               |
| Increase (Decrease) in Net Position       | 247,877                        | 971,920              | 672,710                         | 336,831              | 288,987             | 243,951                |               |
| Beginning Net Position                    | 10,481,899                     | 9,509,979            | 12,066,460                      | 11,729,629           | 3,357,397           | 3,113,446              |               |
| Ending Net Position                       | <u>\$ 10,729,776</u>           | <u>\$ 10,481,899</u> | <u>\$ 12,739,170</u>            | <u>\$ 12,066,460</u> | <u>\$ 3,646,384</u> | <u>\$ 3,357,397</u>    |               |

## Government-Wide Review of Statement of Activities

The Statement of Net Position presents revenues, expenses, and changes in net position separately for governmental activities and business-type activities. The format allows for presentation of program revenues (charges for services, operating grants and contributions, and capital grants and contributions) followed by a listing of general revenues to support the City's overall governmental or business-type activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense (animal control, administrative, hotel/motel, court, etc.).

### Governmental Activities - Statement of Activities

As noted above, there are two categories of revenues on the Statement of Activities - program revenues and general revenues. Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues

General revenues include all revenues not required to be reported as program revenues. All taxes are to be reported by type tax.

Program expenses are presented in the Statement of Activities by function and total \$2,430,341 (including interest on long-term debt) for the current fiscal year-end. Revenues, less expenses, presented in this statement total to a positive change in net position of \$247,877.

### Business-Type Activities - Statement of Activities

Business-type activities provided by the city of New Boston consist of water, sewer, and sanitation. All revenues are in the category of program revenues except interest income and sale of fixed assets reported as general revenue. Program revenues for the current fiscal year in the charges for services subcategory consist of billings of \$2,919,457 for water and sewer, \$708,134 for sanitation.

Water and sewer revenues increased. The City reports revenues for the utility system of \$3,803,641. Water and sewer expenses also increased. The City reports expenses for operation of the utility system as \$3,027,871 for the fiscal year ended September 30, 2019. The City reports transfers out of \$103,060. The change in net position (revenues less expenses less transfers) for the current fiscal year totaled \$672,710.

## Governmental Funds

At year-end, the City's governmental funds, consisting of the General Fund and Debt Service Fund reported combined fund balances of \$1,276,306 with \$274,878 recorded as restricted and \$1,001,428 recorded as unassigned. Under the modified-accrual basis for fund financial statements, the emphasis is on accounting for current financial resources of the City. Assets include primarily \$1,142,096 in cash and certificates of deposits, \$631,474 in taxes, franchise fees, royalties, and warrants receivables. Liabilities for the governmental funds consist primarily of accounts payable and warrants payable.

The fund-reporting format presents in the Statement of Revenues, Expenditures, and Changes in Fund Balance all revenue types followed by the expenses of the City, also presented on a functional basis. However, for the fund financial statements, the City reports only current year capital expenditures and does not report depreciation on capital assets. The major revenue sources are similar to the government-wide presentation above, with additional detail provided for services for which the City receives a fee or charge for services (licenses and permits, sanitation fees, fines, court fees, and parks and recreation fees). The General Fund reported revenue in excess of expenditures of \$135,730. Fund balance at the end of the current fiscal year for the General Fund was \$1,222,427. The city increased the General Fund unassigned

fund balance by \$49,689 and increased the restricted fund balance by \$86,041. Debt Service Fund reported expenditures over revenues of \$6,806. Fund balance at the end of the current fiscal year for the Debt Service Fund was \$53,879.

### Proprietary Fund

The total amounts presented for the Proprietary Fund (utility fund for water, sewer and sanitation services) are identical to the government-wide presentation. Statement of Revenues, Expenses, and Changes in Net Position, presents a more detailed listing of expenses than presented in the government-wide statements, pending implementation of financial reporting improvements to report activities of the water, sewer and sanitation systems on a functional basis. The major operating expenses of this fund include \$1,086,961 for water, \$529,790 for sanitation, \$506,330 for prison sewer, \$293,529 for city sewer, \$199,966 for maintenance, and \$335,854 for depreciation expense. Non-operating revenues and expenses include \$176,050 in interest income, \$4,227 for the amortization of related bond costs, and \$71,214 reported for interest expense and fees on bonds payable.

### Budget

The City Council amended the 2018-2019 budget in the latter part of the year to provide for changes to expected expenditures.

### Capital Assets and Long-Term Debt

#### Capital Assets

At the end of the fiscal year 2019, the governmental activities had \$9,807,207 invested in a broad range of capital assets and the business-type activities had \$5,294,319 invested in capital assets. Detailed information about the City's capital assets is presented in Note 6 to the financial statements.

#### Long-Term Debt

At year-end in the governmental activities, the City owed \$554,181 in bonds, \$61,609 of OPEB liability, \$94,293 on a lease purchase obligation, \$33,387 of compensated absence liability and a note for a fire vehicle of \$110,075. In the business-type activities. Bonds payable were \$3,087,116, OPEB liability was \$33,174, and compensated absence liability totaled \$19,430. Detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

#### Economic Factors

The City of New Boston's management approach is conservative yet accommodating to economic development. The City of New Boston played a major role in the initiative to remove Red River Army Depot from the Base Realignment and Closure process of 1995 and 2005. This has been an ongoing effort by New Boston and the surrounding communities for the past several years. A statement made in the *Washington Examiner* on February 12, 2018 states, "Lawmakers had blocked shuttering any facilities under the *Base Realignment and Closure Program*." The Pentagon announced that it has given up on the effort for now and did not mention the so-called BRAC Program in its 2019 budget request. The City is confident Red River Army Depot will continue to operate.

The City has demonstrated its commitment to revitalization of downtown by infrastructure improvements to the drainage, water lines, paving and municipal building upgrades. The City continues to make further improvements to Trailhead Park. It has become the center for monthly activities in downtown, resulting in increased traffic and trade for the city. The City provides other municipal parks for its citizen's enjoyment affording areas of leisure and recreational activities. During the prior year, the City completed construction of the visitor center/museum at a total cost of \$1,186,733. The City has experienced a growth in retail services, resulting in additional jobs for the area.

Other improvements such as the Automated Meter Reading System has increased the efficiency of the Utility Department of the City, by reducing data-entry errors, and aiding in the City's ongoing efforts to conserve and be responsible stewards of its resources. This system has allowed the City to notify customers of abnormal water usage. To assure the citizens and businesses that the City will continue to function in times of emergency, the installation of diesel driven generators as an uninterrupted power source at each of its critical utility substations for the delivery of water and treatment of wastewater in times of emergencies, natural disasters, or other calamities in the event of power disruption.

In September 2016, the City issued \$2,945,000 of Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016. The City has committed the remaining portion of these funds for lift stations and construction of an equalization basin to store excess rain water.

In the fiscal year ending September 30, 2020, the City anticipates issuing revenue bonds to finance a sewer treatment plant to service the Barry B. Telford Unit.

Through its Special Industrial Development Corporation, third party contractors, which support Red River Army Depot, are occupying former retail buildings located within the city. The result is new jobs being created in New Boston. New Boston Special Industrial Development Corporation and the Chamber of Commerce actively recruit employers to the City and surrounding area. On November 7, 2017, the City held a special election. Eligible voters approved a Type B sales and use tax at the rate of one-eighth of one-percent. The City Council then authorized the formation of the New Boston Community Development Corporation. As of September 30, 2019, this corporation has been funded with applicable sales tax collections.

The NBSIDC is working with the City to assist the opening of a Road Ranger truck stop located at the intersection of McCoy Blvd and Interstate 30. The truck stop was up and operational prior to the release of these financial statements. Prior to the release of these financial statements NBSIDC joined with Bowie County and the city of Hooks' SIDC in acquiring approximately 800 acres for industrial development.

Prior to the release of the financial statements the City is considering requests for voluntary annexation of several tracts of land at the intersection of IH 30 and HWY 82.

Prior to the date the financial statements were issued the United States was in the midst of coping with the COVID-19 pandemic. Governor Gregg Abbot had declared Texas in a state of disaster joining or to be followed by other states in the United States. The ramifications of this pandemic are currently unknown.

#### Requests for Information

If you have questions regarding this report or need additional information, contact the City at 301 East North Front, New Boston, Texas 75570. The phone number for the City is (903) 628-5596.



***CITY OF NEW BOSTON, TEXAS  
BASIC FINANCIAL STATEMENTS***

**CITY OF NEW BOSTON**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

|  | Primary Government         |                             |                      | Component Units     |                   |
|--|----------------------------|-----------------------------|----------------------|---------------------|-------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                | NBSIDC              | NBCDC             |
| <b>ASSETS</b>                                      |                            |                             |                      |                     |                   |
| Cash and cash equivalents                          | \$ 1,021,004               | \$ 6,447,123                | \$ 7,468,127         | \$ 1,125,417        | \$ 176,439        |
| Certificates of deposit                            | 121,092                    | 1,163,955                   | 1,285,047            | 1,696,689           | -                 |
| Accounts receivable (net)                          | 3,149                      | 331,839                     | 334,988              | -                   | -                 |
| Delinquent property taxes receivable (net)         | 68,254                     | -                           | 68,254               | -                   | -                 |
| Sales tax, franchise fees, royalties receivable    | 297,150                    | -                           | 297,150              | 63,101              | 21,034            |
| Warrants receivable (net)                          | 172,921                    | -                           | 172,921              | -                   | -                 |
| Equipment deposit                                  | 110,075                    | -                           | 110,075              | -                   | -                 |
| Note receivable hotel motel tax settlement         | 90,000                     | -                           | 90,000               | -                   | -                 |
| Unbilled receivables                               | -                          | 162,780                     | 162,780              | -                   | -                 |
| Water true up receivable                           | -                          | 84,822                      | 84,822               | -                   | -                 |
| Inventory  | -                          | 37,534                      | 37,534               | -                   | -                 |
| Restricted bond proceeds                           | -                          | 2,587,280                   | 2,587,280            | -                   | -                 |
| Net pension asset                                  | 42,536                     | 22,904                      | 65,440               | -                   | -                 |
| Capital assets (net of accumulated depreciation):  |                            |                             |                      |                     |                   |
| Depreciable assets                                 | 15,528,703                 | 13,606,126                  | 29,134,829           | 485,821             | -                 |
| Less accumulated depreciation                      | (7,365,029)                | (9,150,171)                 | (16,515,200)         | (150,973)           | -                 |
| Non depreciable fixed assets                       | 1,643,533                  | 838,364                     | 2,481,897            | 336,332             | -                 |
| Total Assets                                       | <u>11,733,388</u>          | <u>16,132,556</u>           | <u>27,865,944</u>    | <u>3,556,387</u>    | <u>197,473</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                            |                             |                      |                     |                   |
| Bond premium insurance and deferred refunding loss | 3,690                      | 6,527                       | 10,217               |                     |                   |
| Deferred outflows related to pensions              | 154,240                    | 83,053                      | 237,293              |                     |                   |
| Deferred outflows related to OPEB                  | 4,460                      | 2,402                       | 6,862                |                     |                   |
| Total Deferred Outflows of Resources               | <u>162,390</u>             | <u>91,982</u>               | <u>254,372</u>       |                     |                   |
| <b>LIABILITIES</b>                                 |                            |                             |                      |                     |                   |
| Accounts payable and accrued expenses              | \$ 168,999                 | \$ 179,234                  | \$ 348,233           | \$ 107,476          | \$ -              |
| Interfund accounts                                 | 13,728                     | (13,728)                    | -                    | -                   | -                 |
| Due to state - warrants                            | 103,753                    | -                           | 103,753              | -                   | -                 |
| Accrued interest payable                           | 5,917                      | 10,130                      | 16,047               | -                   | -                 |
| Customer deposits                                  | -                          | 159,212                     | 159,212              | -                   | -                 |
| Total OPEB liability                               | 61,609                     | 33,174                      | 94,783               | -                   | -                 |
| Long-term liabilities                              |                            |                             |                      |                     |                   |
| Compensated absence liability                      | 33,388                     | 19,430                      | 52,818               | -                   | -                 |
| Bonds and loans payable due within one year        | 313,726                    | 239,285                     | 553,011              | -                   | -                 |
| Bonds and loans payable due after one year         | 444,823                    | 2,847,831                   | 3,292,654            | -                   | -                 |
| Total Liabilities                                  | <u>1,145,943</u>           | <u>3,474,568</u>            | <u>4,620,511</u>     | <u>107,476</u>      | <u>-</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                            |                             |                      |                     |                   |
| Deferred inflows related to pensions and OPEB      | 20,059                     | 10,800                      | 30,859               |                     |                   |
| Total Deferred Inflows of Resources                | <u>20,059</u>              | <u>10,800</u>               | <u>30,859</u>        |                     |                   |
| <b>NET POSITION</b>                                |                            |                             |                      |                     |                   |
| Net investment in capital assets                   | 9,162,423                  | 4,801,010                   | 13,963,433           | 671,180             |                   |
| Restricted for:                                    |                            |                             |                      |                     |                   |
| Tourism  | 236,242                    | -                           | 236,242              | -                   |                   |
| Debt service                                       | 85,074                     | -                           | 85,074               | -                   |                   |
| Other purposes                                     | 64,757                     | -                           | 64,757               | -                   |                   |
| Unrestricted                                       | 1,181,280                  | 7,938,160                   | 9,119,440            | 2,777,731           | 197,473           |
| Total Net Position                                 | <u>\$ 10,729,776</u>       | <u>\$ 12,739,170</u>        | <u>\$ 23,468,946</u> | <u>\$ 3,448,911</u> | <u>\$ 197,473</u> |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON**  
**STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2019**

| Functions/Programs                   | Program Revenues    |                         |                             | Net (Expense) Revenue and Changes in Net Position |                            |                             |                       |                     |                   |
|--------------------------------------|---------------------|-------------------------|-----------------------------|---|----------------------------|-----------------------------|-----------------------|---------------------|-------------------|
|                                      | Expenses            | Operating               |                             | Capital<br>Grants and<br>Contributions            | Primary Government         |                             | Component Units       |                     |                   |
|                                      |                     | Charges for<br>Services | Grants and<br>Contributions |   | Governmental<br>Activities | Business-type<br>Activities | Total                 | NBSIDC              | NBCDC             |
| <b>Primary government:</b>           |                     |                         |                             |   |                            |                             |                       |                     |                   |
| Governmental activities:             |                     |                         |                             |   |                            |                             |                       |                     |                   |
| Animal control                       | \$ 4,118            | \$ 215                  | \$ -                        | \$ -  | \$ (3,903)                 | \$ -                        | \$ (3,903)            |                     |                   |
| Administrative                       | 202,226             | -                       | -                           | -   | (202,226)                  | -                           | (202,226)             |                     |                   |
| Hotel/Motel                          | 123,000             | -                       | -                           | -   | (123,000)                  | -                           | (123,000)             |                     |                   |
| Court                                | 74,777              | 83,843                  | -                           | -   | 9,066                      | -                           | 9,066                 |                     |                   |
| Detention center                     | 227,398             | 70,104                  | -                           | -   | (157,294)                  | -                           | (157,294)             |                     |                   |
| Parks                                | 75,672              | -                       | -                           | -   | (75,672)                   | -                           | (75,672)              |                     |                   |
| Police                               | 1,025,005           | 57,865                  | 16,746                      | -   | (950,394)                  | -                           | (950,394)             |                     |                   |
| Street                               | 292,859             | -                       | -                           | -   | (292,859)                  | -                           | (292,859)             |                     |                   |
| Fire                                 | 247,625             | -                       | 22,054                      | -   | (225,571)                  | -                           | (225,571)             |                     |                   |
| Library                              | 123,716             | 5,342                   | 13,610                      | -   | (104,764)                  | -                           | (104,764)             |                     |                   |
| Building inspection                  | 3,160               | 17,507                  | -                           | -   | 14,347                     | -                           | 14,347                |                     |                   |
| Emergency management                 | 6,715               | -                       | -                           | -   | (6,715)                    | -                           | (6,715)               |                     |                   |
| Debt service                         | 24,070              | -                       | -                           | -   | (24,070)                   | -                           | (24,070)              |                     |                   |
| Total governmental activities        | <u>2,430,341</u>    | <u>234,876</u>          | <u>52,410</u>               | <u>-</u>  | <u>(2,143,055)</u>         | <u>-</u>                    | <u>(2,143,055)</u>    |                     |                   |
| Business-type activities:            |                     |                         |                             |   |                            |                             |                       |                     |                   |
| Water and sewer                      | 2,298,115           | 2,919,457               | -                           | -   | -                          | 621,342                     | 621,342               |                     |                   |
| Sanitation                           | 529,790             | 708,134                 | -                           | -   | -                          | 178,344                     | 178,344               |                     |                   |
| Maintenance                          | 199,966             | -                       | -                           | -   | -                          | (199,966)                   | (199,966)             |                     |                   |
| Total business-type activities       | <u>3,027,871</u>    | <u>3,627,591</u>        | <u>-</u>                    | <u>-</u>  | <u>-</u>                   | <u>599,720</u>              | <u>599,720</u>        |                     |                   |
| Total primary government             | <u>\$ 5,458,212</u> | <u>\$ 3,862,467</u>     | <u>\$ 52,410</u>            | <u>\$ -</u>                                       | <u>\$ (2,143,055)</u>      | <u>\$ 599,720</u>           | <u>\$ (1,543,335)</u> |                     |                   |
| <b>Component Units:</b>              |                     |                         |                             |   |                            |                             |                       |                     |                   |
| Operating expenses                   |                     |                         |                             |   |                            |                             | \$ 79,207             | \$ 2,686            |                   |
| Grants and special projects          |                     |                         |                             |   |                            |                             | 150,000               | -                   |                   |
| Total component units                |                     |                         |                             |   |                            |                             | <u>\$ 229,207</u>     | <u>\$ 2,686</u>     |                   |
| <b>General revenues:</b>             |                     |                         |                             |   |                            |                             |                       |                     |                   |
| Sales taxes                          |                     |                         |                             |   | \$ 951,971                 | \$ -                        | \$ 951,971            | \$ 356,375          | \$ 118,792        |
| Property taxes                       |                     |                         |                             |   | 685,537                    | -                           | 685,537               | -                   | -                 |
| Franchise fees                       |                     |                         |                             |   | 128,534                    | -                           | 128,534               | -                   | -                 |
| Hotel/motel taxes                    |                     |                         |                             |   | 247,344                    | -                           | 247,344               | -                   | -                 |
| Rents and royalties                  |                     |                         |                             |   | 220,167                    | -                           | 220,167               | 27,000              | -                 |
| Interest income                      |                     |                         |                             |   | 21,740                     | 176,050                     | 197,790               | 18,154              | -                 |
| Miscellaneous income                 |                     |                         |                             |   | 12,351                     | -                           | 12,351                | -                   | 559               |
| Sale of fixed assets                 |                     |                         |                             |   | 20,228                     | -                           | 20,228                | -                   | -                 |
| Transfers                            |                     |                         |                             |   | 103,060                    | (103,060)                   | -                     | (80,808)            | 80,808            |
| Total general revenues and transfers |                     |                         |                             |   | <u>2,390,932</u>           | <u>72,990</u>               | <u>2,463,922</u>      | <u>320,721</u>      | <u>200,159</u>    |
| Change in net position               |                     |                         |                             |   | 247,877                    | 672,710                     | 920,587               | 91,514              | 197,473           |
| Beginning net position               |                     |                         |                             |   | 10,481,899                 | 12,066,460                  | 22,548,359            | 3,357,397           | -                 |
| Ending net position                  |                     |                         |                             |   | <u>\$ 10,729,776</u>       | <u>\$ 12,739,170</u>        | <u>\$ 23,468,946</u>  | <u>\$ 3,448,911</u> | <u>\$ 197,473</u> |

The accompanying notes are an integral part of this statement

**CITY OF NEW BOSTON**  
**GOVERNMENTAL FUND TYPES**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2019**

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------------|---|
| <b>ASSETS</b>                                      |                     |                         |   |
| Cash and cash equivalents                          | \$ 1,013,005        | \$ 7,999                | \$ 1,021,004                            |
| Certificates of deposit                            | 63,714              | 57,378                  | 121,092                                 |
| Accounts receivables (net)                         | 3,149               | -                       | 3,149                                   |
| Delinquent property taxes receivable (net)         | 28,026              | 40,228                  | 68,254                                  |
| Sales and franchise tax receivable                 | 278,854             | -                       | 278,854                                 |
| Hotel, motel taxes and royalties receivable        | 108,296             | -                       | 108,296                                 |
| Warrants receivable (net)                          | 172,921             | -                       | 172,921                                 |
| Due from other funds                               | 886                 | -                       | 886                                     |
| Total Assets                                       | <u>\$ 1,668,851</u> | <u>\$ 105,605</u>       | <u>\$ 1,774,456</u>                     |
| <b>LIABILITIES</b>                                 |                     |                         |   |
| Accounts payable and accrued expenses              | \$ 158,248          | \$ -                    | \$ 158,248                              |
| State court costs and warrants payable             | 113,959             | -                       | 113,959                                 |
| Due to other funds                                 | -                   | 14,614                  | 14,614                                  |
| Total Liabilities                                  | <u>272,207</u>      | <u>14,614</u>           | <u>286,821</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                     |                         |   |
| Unavailable revenue - property tax & warrants      | 174,217             | 37,112                  | 211,329                                 |
| Total Deferred Inflows of Resources                | <u>174,217</u>      | <u>37,112</u>           | <u>211,329</u>                          |
| <b>FUND BALANCE</b>                                |                     |                         |   |
| Restricted Fund Balance:                           |                     |                         |   |
| Restricted   | 220,999             | 53,879                  | 274,878                                 |
| Unassigned Fund Balance                            | 1,001,428           | -                       | 1,001,428                               |
| Total Fund Balances                                | <u>1,222,427</u>    | <u>53,879</u>           | <u>1,276,306</u>                        |
| Total Liabilities, Deferred Inflows & Fund Balance | <u>\$ 1,668,851</u> | <u>\$ 105,605</u>       | <u>\$ 1,774,456</u>                     |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

Total fund balances - Governmental Funds \$ 1,276,306

Amounts reported for governmental activities in the statements of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, cost of these assets was \$16,872,075 and the accumulated depreciation was \$6,939,232. 9,932,843

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The total long-term liabilities at the beginning of the year was \$885,576. (885,576)

Beginning net pension asset, inflows, outflows 206,321

Beginning net OPEB liability, inflows, outflows (55,486)

Current year capital outlays are expenditures in the fund financial statements but but they are increases in capital assets in the government wide financial statements. 329,555

Reductions in long-term debt should be shown as increases in the net position in the government wide financial statements. 198,090

Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position (431,767)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.

|   |          |
|---|----------|
| Note for delinquent hotel motel tax collections                     | 80,000   |
| Difference in cash received and gain recognized on sale of building | (23,424) |
| Prior year unavailable property taxes receivable                    | 69,458   |
| Decrease in unavailable property taxes receivable                   | (7,297)  |
| Prior year unavailable warrants receivable                          | 68,369   |
| Decrease in net unavailable warrants receivable                     | 799      |
| Prior year accrued bond interest payable                            | (7,491)  |
| Increase in accrued bond interest payable                           | 1,574    |
| Prior year premium insurance on bonds                               | 2,070    |
| Amortization of bond premium insurance for current year             | (813)    |
| Prior year deferred loss on bond refunding                          | 4,009    |
| Amortization of deferred loss on refunding                          | (1,576)  |
| Decrease in compensated absence liability                           | 5,624    |
| Changes in pension related assets deferred outflows and inflows     | (26,268) |
| Changes in OPEB related liabilities                                 | (5,544)  |
|   | 159,490  |

Net Position of Governmental Activities \$ 10,729,776

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON**  
**GOVERNMENTAL FUND TYPES**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|   | General             | Debt<br>Service  | Total<br>Governmental<br>Funds |
|---|---------------------|------------------|--------------------------------|
| <b>Revenues</b>                                   |                     |                  |                                |
| General sales tax                                 | \$ 951,971          | \$ -             | \$ 951,971                     |
| Franchise fees                                    | 128,534             | -                | 128,534                        |
| Hotel and motel tax                               | 167,344             | -                | 167,344                        |
| Property taxes                                    | 342,718             | 350,116          | 692,834                        |
| Charges for services                              | 234,077             | -                | 234,077                        |
| Rents and royalties                               | 220,167             | -                | 220,167                        |
| Interest income                                   | 20,174              | 1,566            | 21,740                         |
| Grants and contributions                          | 52,410              | -                | 52,410                         |
| Other   | 49,435              | -                | 49,435                         |
| Total revenues                                    | <u>2,166,830</u>    | <u>351,682</u>   | <u>2,518,512</u>               |
| <b>Expenditures</b>                               |                     |                  |                                |
| Current   |                     |                  |                                |
| Administrative                                    | 183,272             | -                | 183,272                        |
| Animal control                                    | 4,118               | -                | 4,118                          |
| Hotel/Motel                                       | 125,837             | -                | 125,837                        |
| Court   | 72,362              | -                | 72,362                         |
| Detention center                                  | 224,382             | -                | 224,382                        |
| Parks   | 20,042              | -                | 20,042                         |
| Police  | 983,007             | -                | 983,007                        |
| Street  | 94,029              | -                | 94,029                         |
| Fire  | 172,548             | -                | 172,548                        |
| Library   | 117,632             | -                | 117,632                        |
| Building inspection                               | 2,946               | -                | 2,946                          |
| Emergency management                              | 6,715               | -                | 6,715                          |
| Capital Outlay                                    | 329,555             | -                | 329,555                        |
| Debt Service                                      |                     |                  |                                |
| Principal   | -                   | 168,759          | 168,759                        |
| Interest and fees                                 | 1,804               | 29,292           | 31,096                         |
| Total expenditures                                | <u>2,338,249</u>    | <u>198,051</u>   | <u>2,536,300</u>               |
| Excess (deficiency) of revenues over expenditures | <u>(171,419)</u>    | <u>153,631</u>   | <u>(17,788)</u>                |
| <b>Other financing sources (uses)</b>             |                     |                  |                                |
| Operating transfers in (out)                      | 263,497             | (160,437)        | 103,060                        |
| Sale of fixed assets                              | 43,652              | -                | 43,652                         |
| Total other financing sources (uses)              | <u>307,149</u>      | <u>(160,437)</u> | <u>146,712</u>                 |
| Net change in fund balance                        | 135,730             | (6,806)          | 128,924                        |
| Fund balance at beginning of year                 | 1,086,697           | 60,685           | 1,147,382                      |
| Fund balance at end of year                       | <u>\$ 1,222,427</u> | <u>\$ 53,879</u> | <u>\$ 1,276,306</u>            |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**SEPTEMBER 30, 2019**

|   |    |           |
|---|----|-----------|
| Net changes in fund balances - Governmental Funds   | \$ | 128,924   |
|   |    |           |
| Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government wide financial statements. The effect of including capital outlays is to increase net position.  |    | 329,555   |
|   |    |           |
| Current year long-term debt principal payments are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government wide financial statements. The net effect of including the debt principal payments is to increase net position.  |    | 190,249   |
|   |    |           |
| Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.   |    | (431,767) |
|   |    |           |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transfers, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. |    |           |
| Hotel motel judgement receivable  |    | 80,000    |
| Disposition of fixed assets   |    | (23,424)  |
| Decrease in net unavailable property tax receivable   |    | (7,297)   |
| Decrease in net unavailable warrants receivable   |    | 799       |
| Decrease in accrued interest payable  |    | 1,574     |
| Amortization of bond premium insurance  |    | (813)     |
| Amortization of deferred loss on refunding  |    | (1,576)   |
| Amortization of bond premium  |    | 7,841     |
| Increase in compensated absence liability   |    | 5,624     |
| Changes in pension related assets deferred outflows and inflows   |    | (26,268)  |
| Changes in OPEB related assets and liabilities  |    | (5,544)   |
|   |    | 30,916    |
| Change in Net Position in Governmental Activities   | \$ | 247,877   |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019**

|  | Public<br>Works |
|--|-----------------|
| <b>ASSETS</b>  |                 |
| Current Assets:  |                 |
| Cash and cash equivalents                                | \$ 6,447,123    |
| Certificates of deposit                                  | 1,163,955       |
| Accounts receivable (net)                                | 331,839         |
| Unbilled receivables                                     | 162,780         |
| Water true up receivable                                 | 84,822          |
| Inventory  | 37,534          |
| Due from other funds                                     | 13,728          |
| Total Current Assets                                     | 8,241,781       |
| Non Current Assets:                                      |                 |
| Restricted bond proceeds                                 | 2,587,280       |
| Net pension asset  | 22,904          |
| Total Noncurrent Assets                                  | 2,610,184       |
| Capital Assets:  |                 |
| Depreciable assets                                       | 13,606,126      |
| Less accumulated depreciation                            | (9,150,171)     |
| Non depreciable assets                                   | 838,364         |
| Total Capital Assets                                     | 5,294,319       |
| Total Assets   | 16,146,284      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                 |
| Bond premium insurance and deferred refunding loss (net) | 6,527           |
| Deferred pension outflows                                | 83,053          |
| Deferred OPEB outflows                                   | 2,402           |
| Total Deferred Outflows of Resources                     | 91,982          |
| <b>LIABILITIES</b>                                       |                 |
| Current Liabilities:                                     |                 |
| Accounts payable and accrued expenses                    | 179,234         |
| Accrued interest payable                                 | 10,130          |
| Customer deposits  | 159,212         |
| Bonds and note payable, current portion                  | 239,285         |
| Total Current Liabilities                                | 587,861         |
| Non current Liabilities:                                 |                 |
| OPEB liability   | 33,174          |
| Compensated absence liability                            | 19,430          |
| Bonds and note payable, long term portion                | 2,847,831       |
| Total Noncurrent Liabilities                             | 2,900,435       |
| Total Liabilities  | 3,488,296       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                 |
| Deferred pension and OPEB inflows                        | 10,800          |
| <b>NET POSITION</b>                                      |                 |
| Net investment in capital assets                         | 4,801,010       |
| Unrestricted   | 7,938,160       |
| Total Net Position                                       | \$ 12,739,170   |

The accompanying notes are an integral part of this statement.



**CITY OF NEW BOSTON**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|  | Public<br>Works |
|--|-----------------|
| <b>Operating Revenues:</b>                         |                 |
| Charges for services                               | \$ 3,627,591    |
| Total operating revenues                           | 3,627,591       |
| <br><b>Operating Expenses:</b>                     |                 |
| Water  | 1,086,961       |
| Sanitation   | 529,790         |
| Maintenance  | 199,966         |
| City Sewer   | 293,529         |
| Prison Sewer                                       | 506,330         |
| Depreciation                                       | 335,854         |
| Total operating expenses                           | 2,952,430       |
| Operating income (loss)                            | 675,161         |
| <br><b>Non-Operating Revenues (Expenses)</b>       |                 |
| Interest income                                    | 176,050         |
| Amortization of bond premium and loss on refunding | (4,227)         |
| Interest expense and fees                          | (71,214)        |
| Total nonoperating revenues (expenses)             | 100,609         |
| Income (loss) before contributions and transfers   | 775,770         |
| <br><b>Capital Contributions and Transfers</b>     |                 |
| Capital contributions                              | -               |
| Transfers in                                       | 160,437         |
| Transfers out                                      | (263,497)       |
| Total Capital Contributions and Transfers          | (103,060)       |
| Change in net position                             | 672,710         |
| Total net position - beginning                     | 12,066,460      |
| Total net position - ending                        | \$ 12,739,170   |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|   | <u>Public<br/>Works</u> |
|---|-------------------------|
| <b>Cash Flows from Operating Activities</b>   |                         |
| Receipts from customers   | \$ 3,583,182            |
| Payments to suppliers   | (2,193,000)             |
| Payments to employees   | (530,168)               |
| Net cash provided by operating activities   | <u>860,014</u>          |
| <b>Cash Flows from Non-Capital Financing Activities</b>   |                         |
| Transfers in  | 160,437                 |
| Transfers out   | (263,497)               |
| Net cash used by non-capital financing activities   | <u>(103,060)</u>        |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |                         |
| Acquisition of capital assets   | (526,282)               |
| Debt retirement   | (216,241)               |
| Amortization of bond costs  | (12,033)                |
| Bond interest paid  | (76,360)                |
| Net cash used by financing activities   | <u>(830,916)</u>        |
| <b>Cash Flows from Investing Activities</b>   |                         |
| Interest income   | 176,050                 |
| Interest added to investments   | (21,315)                |
| Net cash provided by investing activities   | <u>154,735</u>          |
| Increase (decrease) in cash and cash equivalents  | 80,773                  |
| Cash and cash equivalents beginning of year   | 8,953,630               |
| Cash and cash equivalents at end of year  | <u>\$ 9,034,403</u>     |
| Cash and cash equivalents   | \$ 6,447,123            |
| Cash restricted bond proceeds   | 2,587,280               |
| Total cash and cash equivalents   | <u>\$ 9,034,403</u>     |
| Reconciliation of operating income (loss) to net cash provided<br>(used) by operating activities: |                         |
| Net Operating Income  | 675,161                 |
| Depreciation expense  | 335,854                 |
| Change in assets and liabilities:   |                         |
| Receivables, net  | (44,402)                |
| Inventory change  | (14,280)                |
| Accounts payable and accrued expenses   | (101,887)               |
| Interfund accounts  | (11,643)                |
| Customer deposits   | 4,082                   |
| Change in pension and OPEB related accounts   | 17,129                  |
| Net cash provided by operating activities   | <u>\$ 860,014</u>       |

The accompanying notes are an integral part of this statement.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the city of New Boston conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

The City, for financial purposes, includes all of the funds relevant to the operations of the city of New Boston. The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined based on budget adoption, taxing authority, funding, and appointment of the respective governing board. Based on these criteria, the New Boston Special Industrial Development Corporation and New Boston Community Development Corporation were determined to be component units of the City and is included in the accompanying financial statements.

New Boston Special Industrial Development Corporation - (NBSIDC) is a nonprofit Type A industrial development corporation established under the Development Corporation Act of 1979, as amended. The Board of Directors of NBSIDC is appointed by the City Council of the city of New Boston, Texas. Its mission is to promote the economic growth of the City and promote commercial development through assistance with business for additional jobs and growth in the city of New Boston, Texas. The citizens enacted a special sales tax to support NBSIDC. The sales tax is to be used for economic development activities for the City as authorized under Chapters 501 through 505 of the Texas Local Government Code and is legally restricted to expenditures for these purposes. NBSIDC may issue bonds on behalf of the City for the financing of projects to promote and develop commercial, industrial, and manufacturing enterprises, to promote and encourage employment and the public welfare, pursuant to the Act. NBSIDC is reported as a discretely presented component unit in the government-wide financial statements. .

New Boston Community Development Corporation – (NBCDC) is a nonprofit Type B industrial development corporation established under the Development Corporation Act of 1979, as amended. The Board of Directors of NBCDC is appointed by the City Council of the City of New Boston, Texas. Its mission is to promote programs that support community development. The citizens enacted a special sales tax to support NBCDC. The sales tax is to be used for economic development activities for the City as authorized under Chapters 501 through 505 of the Texas Local Government Code and is legally restricted to expenditures for these purposes. The NBCDC is reported as a discretely presented component unit in the government-wide financial statements.

**Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The fund level statements focus on the governmental and proprietary funds. The accounts of the City are organized based on funds. Each fund was established for the purposes of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major funds are determined by criteria specified by GASB. Major governmental funds are reported as separate columns in the fund financial statements. All other funds are aggregated into governmental fund groupings.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available. Revenues, other than grants, are considered available when they are collectible, within the current period or soon enough thereafter to pay liabilities of the current period. Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences and claims and judgments are recorded to the extent they are expected to be liquidated with available financial resources. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, municipal court fines and interest associated with the current fiscal period are recognized under the susceptible to accrual concept using a 60 day time period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*General Fund* - The general fund is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in another fund.

*Debt Service Fund* - The debt service fund is used to account for the accumulating of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and sewer services and sanitation. The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The following are the City's Proprietary Fund types:

*Public Works Fund* – The public works fund is used to account for water, sewer, and sanitation activities.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Restricted Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources.

Capital Assets

Capital assets, which include land and improvements, buildings and improvements, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activity columns for the government-wide statement of net assets, and related depreciation is allocated to programs in the statement of activities. Assets purchased or constructed are capitalized at historical cost. Capital outlay is recorded as expenditure in the General Fund and other governmental funds, and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

The City obtains public domain capital assets (infrastructure) through capital improvements projects (CIP) construction. Infrastructure consists of certain improvements other than buildings, including streets and roads, pedestrian facilities, and drainage systems.

In the government-wide and proprietary fund financial statements, capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

|                            | Governmental<br>Funds | Public<br>Works |
|----------------------------|-----------------------|-----------------|
| Buildings and improvements | 30                    | 30              |
| Library books              | 5                     | -               |
| Furniture and fixtures     | 5-10                  | 5-10            |
| Streets                    | 35                    | -               |
| Water and sewer system     | -                     | 30-60           |
| Machinery and equipment    | 5-20                  | 5-20            |

Depreciation of assets is classified by functional components. The City considers land inexhaustible; and therefore, this asset is reported as non-depreciable.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Time Deposits

Time deposits are recorded at cost.

Budget and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year in the governmental and proprietary funds. The governmental funds budgets are consistent with generally accepted accounting principles. The proprietary fund budget varies from generally accepted accounting principles in that the City budgets as an expense principal on debt service, interest incurred during construction periods, and capital outlay paid for with current operating funds and as a revenue debt proceeds.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Encumbrances

Formal encumbrance accounting is not used by the City. However, purchase orders are employed in the purchasing function. Appropriations lapse at year-end and must be budgeted in the subsequent year.

Compensated Absences

The amounts owed to employees for unpaid vacation are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements. No accruals have been made for sick leave.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are expenses in the year incurred.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund-level statements. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Transfers between governmental funds and business-type activities have not been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories as following:

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

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the City’s highest level of decision-making authority, the Council. Committed resources cannot be used for any other purposes unless the Council removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amount the City intends to use for specific purposes as expressed by the Council or an official delegated with the authority.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits other than Pension

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 was adopted for the year ending September 30, 2018. The City participates in the TMRS Supplemental Death Benefits (SDB) plan. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Implementation of New GASB Standard

In the current fiscal year, the City implemented GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct placements*. Implementation is reflected in the financial statements and the notes to the financial statements.

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Note 2 - Collateralization of Deposits**

City Policies and Legal and Contractual Provisions Governing Deposits - Statutes authorize the City to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P- I by Moody's Commercial Paper Record. The City's policy is to invest in instruments or require sufficient collateral to not expose the City to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks.

**Deposits**

At September 30, 2019, the bank balances, including time deposits were fully insured by FDIC or additional coverage of pledged securities at all financial institutions.

**The Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the City's investment policies and types of investments. The City's management believes that it complied with the requirements of the PFIA and the City's investment policies.

**Note 3 – Restricted Net Position**

In the governmental funds, local hotel and motel occupancy tax revenue is deposited into a special account and can be spent only to establish or enhance the convention center, pay the administrative expenses for registering convention delegates, pay for tourism-related advertising and promotions, fund programs that enhance the arts, or fund historic restoration or preservation projects that will enhance tourism. Unexpended hotel motel occupancy tax revenue of \$236,242 is classified as restricted net position. Also included in the restricted net position is \$149,831 restricted for debt service, various police activities, and various judicial activities.

**Note 4 - Accounts Receivables**

Accounts receivables at September 30, 2019 for the General Fund consist of the following:

|   | General<br>Fund |
|---|-----------------|
| Police security receivable                | \$ 3,149        |
| Dispatch receivable                       | 9,000           |
| Less allowance for uncollectible accounts | (9,000)         |
|   | \$ 3,149        |

Included in accounts receivable Hotel, Motel taxes are two notes totaling \$90,000. The notes are the result of a successful lawsuit to recover unremitted hotel motel tax collections. One note is payable in two installments of \$10,000 each October 1, 2019 and 2020. The other note, \$70,000, is payable in monthly installments of \$1,000 beginning November 1, 2019.



**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Accounts receivable at September 30, 2019 for Public Works consists of the following:

|                                  | Public<br>Works |
|----------------------------------|-----------------|
| Utility billings receivable      | \$ 413,505      |
| Less allowance for uncollectible | (81,782)        |
| Other receivables                | 116             |
|                                  | \$ 331,839      |

**Note 5 - Property Tax**

Property taxes are attached as an enforceable lien on property as of January 31. Property taxes are levied by October 1, and are payable in two installments due November 30 and June 30. The Bowie County Appraisal District bills and collects property taxes for the city of New Boston. The State of Texas Constitution limits the City's ad valorem tax rate for all purposes to \$1.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2019, was levied using a rate of \$0.31688 per one hundred dollars of assessed valuation. Based on 100% of estimated market value, the City has a tax margin of \$1.18312 per \$100 of valuation. Taxes were allocated between the Maintenance and Operations \$.1548 and Debt Service \$.16208. The City could raise an additional \$2,530,117 per year from the present assessed valuation of \$213,929,543 before the limit is reached. The amount assessed for the 2018 tax roll was \$678,826.

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:

|                                  | Balance<br>10/01/18 | Additions    | Deletions   | Balance<br>09/30/19 |
|----------------------------------|---------------------|--------------|-------------|---------------------|
| Depreciable capital assets:      |                     |              |             |                     |
| Building                         | \$ 3,020,035        | \$ -         | \$ -        | \$ 3,020,035        |
| Library books                    | 51,815              | -            | (29,394)    | 22,421              |
| Furniture and equipment          | 92,336              | -            | -           | 92,336              |
| Streets                          | 9,389,506           | 276,211      | -           | 9,665,717           |
| Office equipment                 | 67,751              | 34,133       | -           | 101,884             |
| Machinery and equipment          | 763,114             | 15,489       | -           | 778,603             |
| Vehicles                         | 838,027             | -            | -           | 838,027             |
| Land improvements                | 1,009,680           | -            | -           | 1,009,680           |
| Total depreciable capital assets | 15,112,591          | 325,833      | (29,394)    | 15,528,703          |
| Less accumulated depreciation    | (6,939,232)         | (431,767)    | 5,970       | (7,365,029)         |
| Net depreciable capital assets   | 8,173,359           | (105,934)    | (23,424)    | 8,163,674           |
| Non depreciable capital assets:  |                     |              |             |                     |
| Land                             | \$ 1,639,810        | \$ 3,723     | \$ -        | \$ 1,643,533        |
| Construction in progress         | -                   | -            | -           | -                   |
| Net Capital Assets               | \$ 9,932,843        | \$ (102,211) | \$ (23,424) | \$ 9,807,207        |

During the current year, the City made improvements to streets and sidewalks totaling \$276,211.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Depreciation expense was charged to the governmental departments as follows:

|                            |                   |
|----------------------------|-------------------|
| Administration             | \$ 20,927         |
| Court                      | 303               |
| Emergency management       | -                 |
| Fire                       | 93,556            |
| Hotel/Motel                | 33,109            |
| Library                    | 3,751             |
| Park                       | 55,630            |
| Police                     | 25,661            |
| Street                     | 198,830           |
| Total depreciation expense | <u>\$ 431,767</u> |

Business-type Activities:

The following is a summary of the property, plant, and equipment of the proprietary fund at September 30, 2019:

|                                 | Balance<br>10/01/18 | Additions/<br>Reclassifications | Deletions /<br>Reclassifications | Balance<br>09/30/19 |
|---------------------------------|---------------------|---------------------------------|----------------------------------|---------------------|
| Buildings                       | \$ 80,431           | \$ -                            | \$ -                             | \$ 80,431           |
| Furniture & equipment           | 36,720              | -                               | -                                | 36,720              |
| Heavy equipment and vehicles    | 422,196             | 90,287                          | -                                | 512,483             |
| Water and Sewer System          | 12,339,064          | 28,145                          | -                                | 12,367,209          |
| LTWSC capital assets            | 609,283             | -                               | -                                | 609,283             |
| Total Depreciable Assets        | 13,487,694          | 118,432                         | -                                | 13,606,126          |
| Less accumulated depreciation   | (8,814,317)         | (335,854)                       | -                                | (9,150,171)         |
| Total depreciable fixed assets  | 4,673,377           | (217,422)                       | -                                | 4,455,955           |
| Non depreciable capital assets: |                     |                                 |                                  |                     |
| Land                            | 4,817               | -                               | -                                | 4,817               |
| Construction in progress        | 425,697             | 407,850                         | -                                | 833,547             |
| Net Capital Assets              | <u>\$ 5,103,891</u> | <u>\$ 190,428</u>               | <u>\$ -</u>                      | <u>\$ 5,294,319</u> |

The City continued construction of projects funded by the 2016 bond issue proceeds.

**Note 7 – Debt Liabilities**

In prior years the City issued \$4.015 million in General Obligation Refunding Bonds, Series 2011 with an average interest rate of 3.21% to advance refund \$4.055 million of outstanding bonds. Because proceeds from the refunded bond issues were used for both governmental fund and proprietary fund purposes, the refunded issues were accounted for in both the Governmental Funds and in the Proprietary Fund. As a result, the liability for the refunding issue was divided between the Governmental and Proprietary funds. The amount recorded in the Governmental Funds was \$2,657,124 and the amount recorded in the Proprietary Fund was \$1,357,876.

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Governmental Activities:

The changes in long-term debt, exclusive of compensated absence liability, as of 2019 follow:

|  | Interest<br>Rates | Payable at<br>10/01/18 | Additions<br>(Retirements) | Payable at<br>09/30/19 | Due Within<br>One Year |
|--|-------------------|------------------------|----------------------------|------------------------|------------------------|
| General Obligation Refunding Bonds,<br>Series 2011, due in annual semi-<br>annual installments through 8/15/22 | 2.00-4.00%        | \$ 710,832             | \$ (168,759)               | \$ 542,073             | \$ 175,377             |
| Premium on Series 2011, to be amortized  |                   | 19,950                 | (7,841)                    | 12,109                 | 5,981                  |
| Lease Purchase Obligation  | 3.74%             | 115,782                | (21,490)                   | 94,292                 | 22,293                 |
| Note from direct borrowing   | 3.84%             | -                      | 110,075                    | 110,075                | 110,075                |
|  |                   | <u>\$ 846,564</u>      | <u>\$ (88,015)</u>         | <u>\$ 758,549</u>      | <u>\$ 313,726</u>      |

The compensated absence liability was \$33,387 at September 30, 2019.

During the year, the City ordered a F550 Super Duty Truck. The City paid a deposit of \$110,075 to the vendor to have the truck specifically equipped for duty as a fire truck. The City borrowed \$110,075 from a local bank and pledged a certificate of deposit of \$114,891, carried in the Public Works fund, as collateral. The note was due in one payment March 2020 and had an interest rate of 3.84%. The note had a post maturity rate of 14%. The note was paid in March 2020 and the truck was delivered.

In the year ended 2014, the City financed a fire truck with a lease purchase obligation. Annual payments are \$25,815 including interest at 3.74%. The original purchase price was \$218,707. Accumulated amortization of \$133,047 leaves a net book value of \$85,660 for assets acquired under capital lease. Current amortization expense of \$21,871 is included in depreciation expense.

In the governmental fund financial statements, bonded indebtedness of the City current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. During the year ended September 30, 2019, the City paid \$168,759 in principal, and \$28,457 in interest. In the government-wide financial statements, the Governmental Activities' portion of the bonded indebtedness is reflected in the Statement of Net Position. At September 30, 2019, premium on issuance of bonds, net of accumulated amortization, totaled \$12,109. Advance refunding loss, the difference between the reacquisition price and the net carrying amount of the old debt, net of amortization, totaled \$9,696. Bond premium insurance policy, net of accumulated amortization, totaled \$1,058.

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The annual requirements to retire long-term debt, excluding premium of \$12,109 and compensated absence liability, as of September 30, 2019 follows:

| For the Years Ending: | Bonds & Lease Purchase |                  | Note from Direct Borrowing |                 | Total             |
|-----------------------|------------------------|------------------|----------------------------|-----------------|-------------------|
|                       | Principal              | Interest         | Principal                  | Interest        |                   |
| September 30, 2020    | \$ 197,670             | \$ 25,230        | \$ 110,075                 | \$ 4,227        | \$ 337,202        |
| September 30, 2021    | 201,811                | 17,382           | -                          | -               | 219,193           |
| September 30, 2022    | 211,999                | 9,371            | -                          | -               | 221,370           |
| September 30, 2023    | 24,885                 | 930              | -                          | -               | 25,815            |
| Total                 | <u>\$ 636,365</u>      | <u>\$ 52,913</u> | <u>\$ 110,075</u>          | <u>\$ 4,227</u> | <u>\$ 803,580</u> |

Interest expense recorded in Governmental Activities funds totaled \$24,070.

**Business-type Activities:**

In the proprietary fund financial statements, bonded indebtedness of the City is reflected in the Balance Sheet.

The portion of the Series 2011 Refunding Bonds accounted for in, and paid from, the proprietary fund are secured by the taxing authority of the City. If necessary, the City could levy ad valorem taxes to service these bonds. At September 30, 2019, for the 2011 Refunding Bonds, premium on issuance of bonds, net of accumulated amortization, totaled \$6,188. Advance refunding loss, the difference between the reacquisition price and the net carrying amount of the old debt, net of amortization, totaled \$9,696. Bond premium insurance policy, net of accumulated amortization, totaled \$1,058.

In September 2016, the City issued \$2,945,000 of Combination Tax & Surplus Certificates of Obligation Series 2016. The C. O.s were issued with a premium of \$149,666. The premium is being amortized over the life of the bond using effective-interest method. Payout of the C. O.s will extend to August 15, 2036. The City has committed these funds for lift stations and an equalization basin (EQ Basin) to retain runoff in times of extreme rain.

Amortization of premium on the 2016 bonds for the year ended September 30, 2019 totaled \$12,253 leaving unamortized premium balance of \$113,001.

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The following is a summary of long-term debt transactions in the proprietary fund for the year ended September 30, 2019:

|   | Interest<br>Rates | Payable at<br>10/01/18 | Additions<br>(Retirements) | Payable at<br>09/30/19 | Due Within<br>One Year |
|---|-------------------|------------------------|----------------------------|------------------------|------------------------|
| General Obligation Refunding Bonds,<br>Series 2011, due in annual semi-<br>annual installments through 2022 | 2.00-4.00%        | \$ 364,168             | \$ (86,241)                | \$ 277,927             | \$ 89,623              |
| Premium on Series 2011, to be amortized   |                   | 10,195                 | (4,007)                    | 6,188                  | 3,057                  |
| Combination Tax & Surplus C. O.s,<br>Series 2016, due in annual semi-<br>annual installments through 2036   | 2.25-3.00%        | 2,820,000              | (130,000)                  | 2,690,000              | 135,000                |
| Premium on Series 2016, to be amortized   |                   | 125,254                | (12,253)                   | 113,001                | 11,605                 |
|   |                   | <u>\$ 3,319,617</u>    | <u>\$ (232,501)</u>        | <u>\$ 3,087,116</u>    | <u>\$ 239,285</u>      |

The compensated absence liability was \$19,430 at September 30, 2019.

The annual requirements to amortize the proprietary fund debt exclusive of premium of as of September 30, 2019, are as follows:

| For the Years Ending:     | Principal           | Interest          | Total               |
|---------------------------|---------------------|-------------------|---------------------|
| September 30, 2020        | \$ 224,623          | \$ 81,043         | \$ 305,666          |
| September 30, 2021        | 226,314             | 73,408            | 299,722             |
| September 30, 2022        | 241,990             | 65,705            | 307,695             |
| September 30, 2023        | 140,000             | 58,588            | 198,588             |
| September 30, 2024        | 140,000             | 55,438            | 195,438             |
| September 30, 2025 - 2029 | 765,000             | 223,450           | 988,450             |
| September 30, 2030 - 2034 | 855,000             | 128,963           | 983,963             |
| September 30, 2035 - 2036 | 375,000             | 16,950            | 391,950             |
| Total                     | <u>\$ 2,967,927</u> | <u>\$ 703,545</u> | <u>\$ 3,671,472</u> |

Interest expense recorded in the Proprietary Fund totaled \$71,214.

**Note 8 – Defined Benefit Pension Plan**

Plan Description

The City of New Boston participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees of the City of New Boston are eligible for retirement at age 60 with 5 years of service or at any age with 25 years of service. Employees contribute to the fund at the rate of 5%. The City matches dollar for dollar. City match vests after 5 years of service. The City adopted the updated service credit provision of the plan in 1993 on a recurring basis at 100%.

*Employees covered by benefit terms:*

At the December 31, 2018 valuation and measurement date, the following number of employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 16 |
| Inactive employees entitled to but not yet receiving benefits    | 31 |
| Active employees   | 35 |
| Total  | 82 |

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of New Boston were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of New Boston was 2.01% and 1.63% for calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019 were \$25,347 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50% per year   |
| Overall payroll growth    | 3.00% per year   |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

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Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment of younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate fo Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Domestic Equity       | 17.5%                    | 4.30%  |
| International Equity  | 17.5%                    | 6.10%  |
| Core Fixed Income     | 10.0%                    | 1.00%  |
| Non-Core Fixed Income | 20.0%                    | 3.39%  |
| Real Return           | 10.0%                    | 3.78%  |
| Real Estate           | 10.0%                    | 4.44%  |
| Absolute Return       | 10.0%                    | 3.56%  |
| Private Equity        | 5.0%                     | 7.75%  |
| Total                 | <u>100.0%</u>            |  |

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*Changes in the Net Pension (Asset) Liability:*

|   | Increase (Decrease)        |                                |                      |
|---|----------------------------|--------------------------------|----------------------|
|   | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Asset |
|   | (a)                        | (b)                            | (a)-(b)              |
| Balance at 12/31/2017                             | \$ 3,545,290               | \$ 4,003,110                   | \$ (457,820)         |
| Changes for the year:                             |                            |                                |                      |
| Service cost                                      | 112,883                    | -                              | 112,883              |
| Interest  | 237,382                    | -                              | 237,382              |
| Change of benefit terms                           | -                          | -                              | -                    |
| Difference between expected and actual experience | 18,111                     | -                              | 18,111               |
| Change of assumptions                             | -                          | -                              | -                    |
| Contributions - employer                          | -                          | 28,306                         | (28,306)             |
| Contributions - employee                          | -                          | 69,940                         | (69,940)             |
| Net investment income                             | -                          | (119,811)                      | 119,811              |
| Benefit payments, including refunds to employees  | (169,921)                  | (169,921)                      | -                    |
| Administrative expense                            | -                          | (2,318)                        | 2,318                |
| Other changes                                     | -                          | (121)                          | 121                  |
| Net changes                                       | 198,455                    | (193,925)                      | 392,380              |
| Balance at 12/31/2018                             | \$ 3,743,745               | \$ 3,809,185                   | \$ (65,440)          |

*Discount Rate:*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension (asset) liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

|                                      | 1% Decrease in<br>Discount Rate 5.75% | Discount Rate<br>6.75% | 1% Increase in<br>Discount Rate 7.75% |
|--------------------------------------|---------------------------------------|------------------------|---------------------------------------|
| City's net pension (asset) liability | \$ 411,967                            | \$ (65,440)            | \$ (461,038)                          |

*Pension Plan Fiduciary Net Position:*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2019 the city recognized pension expense of \$65,949.



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At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience<br>(net of current year amortization) | \$ 12,538                            | \$ 25,727                           |
| Changes in actuarial assumptions  | -                                    | -                                   |
| Difference between projected and actual investment earnings<br>(net of current year amortization) | 206,476                              | -                                   |
| Contributions subsequent to the measurement date  | 18,279                               | -                                   |
|   | \$ 237,293                           | \$ 25,727                           |

\$18,279 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|                          |            | Net deferred<br>outflows (inflows)<br>of resources |
|--------------------------|------------|--|
| Year ended September 30, | 2020       | \$ 61,979  |
|                          | 2021       | 25,418   |
|                          | 2022       | 27,885   |
|                          | 2023       | 78,005   |
|                          | 2024       | -  |
|                          | Thereafter | -  |
|                          | Total      | \$ 193,287   |

**Note 9 – Other Post-Employment Benefits (OPEB) Plan**

Total OPEB liability of the Texas Municipal Retirement System (the “TMRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

**Note 10 – OPEB- Supplemental Death Benefits Plan**  
Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers 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.

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Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. 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 preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

|                              | Plan Year 2016 | Plan Year 2017 | Plan Year 2018 |
|------------------------------|----------------|----------------|----------------|
| Active employees (yes or no) | Yes            | Yes            | Yes            |
| Retirees (yes or no)         | Yes            | Yes            | Yes            |

Employees Covered by the Benefit Terms at the December 31, 2018 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 13 |
| Inactive employees entitled to but not yet receiving benefits    | 4  |
| Active employees   | 39 |
| Total  | 56 |

Contributions

The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The rate is equal to the cost of providing one-year term life insurance. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.23% in calendar years 2018 and 2019, respectively. The City’s contributions to the TMRS SDBF for the years ended September 30, 2019 were \$3,423 and were equal to the required contributions each year.

Total OPEB Liability

*Actuarial assumptions.* The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

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**I. Assumptions**

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Actuarial Cost Method — For calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- C. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

**II. Benefit Provisions**

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — 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 preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Discount rate. The applicable discount rate for an unfunded OPEB plan under GASB No. 75 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. The discount rate used to measure the Total OPEB Liability was 3.71%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

| Changes in the Total OPEB Liability               | Total OPEB<br>Liability |
|---|-------------------------|
| Balance at 12/31/2017                             | \$ 93,485               |
| Changes for the year:                             |                         |
| Service cost                                      | 5,315                   |
| Interest  | 3,168                   |
| Difference between expected and actual experience | (15)                    |
| Changes in assumptions                            | (6,331)                 |
| Benefit payments, including refunds to employees  | (839)                   |
| Net changes                                       | 1,298                   |
| Balance at 12/31/2018                             | \$ 94,783               |

Sensitivity of the total OPEB liability to changes in the discount rate

The following shows the total OPEB liability calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate.

|                       | 1% Decrease in<br>Discount rate<br>2.71% | Discount Rate<br>3.71% | 1% Increase in<br>Discount rate<br>4.71% |
|-----------------------|--|------------------------|--|
| City's OPEB liability | \$ 111,800                               | \$ 94,783              | \$ 81,226                                |

*OPEB plan total liability.* Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended September 30, 2019, the City recognized OPEB expense of \$8,595.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience<br>(net of current year amortization) | \$ -                                 | \$ 12                               |
| Changes in actuarial assumptions  | 4,283                                | 5,120                               |
| Difference between projected and actual investment earnings<br>(net of current year amortization) | -                                    | -                                   |
| Contributions subsequent to the measurement date  | 2,579                                | -                                   |
|   | \$ 6,862                             | \$ 5,132                            |

\$2,579 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

|                                  | Net deferred<br>outflows (inflows)<br>of resources |
|----------------------------------|--|
| Fiscal Year Ending September 30, |  |
| 2020                             | \$ 112   |
| 2021                             | 112  |
| 2022                             | 112  |
| 2023                             | (909)  |
| 2024                             | (276)  |
| Thereafter                       | -  |
| Total                            | \$ (849)   |

**Note 11 – Contingencies, Risk Financing and Related Insurance Issues**

The City is involved in litigation at September 30, 2019. Management estimates that liability, if any, that results from this litigation will be covered by insurance. Accordingly, no provision for any liability that may result from this litigation is recorded in the financial statements.

In the normal course of business the City is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by council members or employees, negligent acts by employees including law enforcement officers, automobile and mobile equipment accidents, and injuries to employees during the course of performing duties for the city.

The City attempts to cover these losses by the purchase of insurance. Currently the City purchases 100% of its risk related insurance through the Texas Municipal League Intergovernmental Risk Pool. The City purchases insurance

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

from the pool with annual maximum limits and to the extent of these maximum limits the City will incur no additional liability due to excess insurance purchases by the risk pool. The City would be liable for claims in excess of the policy limits. In management's estimation, there are no current loss claims that exceed the insured maximum limits. Significant loss experiences could subject the City to significant premium increases.

There was no reduction in insurance coverage from the prior year and in management's estimation, maximum coverage limits are adequate.

**Note 12 – Contract and Participation Agreement**

The City along with seven other area cities had formed Lake Texarkana Water Supply Corporation (LTWSC). The cities executed a contract to be provided water by the Water Supply Corporation. That contract has now been amended and extended by a document entitled; "Extension and Amendment to Water Supply Contract" dated March 1, 2010 by the cities. This document extends and amends the terms and provisions of the original contract and also recognizes the establishment of the Riverbend Water Resources District which was created by the 81st Texas Legislature, codified in Title 6, Special District Local Laws Code, Subtitle L, Chapter 9601, effective June 19, 2009, to which, the city is a member.

Each Member City agrees to make monthly payments to Riverbend Water Resources District in an amount deemed adequate to discharge its pro rata part of maintenance and operating and administrative expenses of Riverbend Water Resources District.

The Extension and Amendment to Water Supply Contract likewise acknowledges that all existing Lake Texarkana Water Supply Corporation bonds have been paid and Lake Texarkana Water Supply Corporation was involuntarily dissolved effective March 21, 2007.

Simultaneously the City has entered into an Interlocal Cooperation Agreement dated March 5, 2010 with Riverbend Water Resources District. The City will procure certain services from Riverbend and participate in the funding of the development of Riverbend projects. The City incurred \$17,772 of expenditures to Riverbend during the year ended September 30, 2019.

The City incurred \$430,333 of expenditures for water under this Water Supply Contract for the year ending September 30, 2019. The amount incurred is based on actual water consumption and estimated operations costs. The amount will be trued-up based on actual consumption and costs in the subsequent period, if necessary. The true up for the year ended September 30, 2018 is a receivable of \$36,664. The true up for the year ended September 30, 2019 is an estimated receivable of \$48,158.

The City also pays a monthly capital improvements fund contribution. During the year ended September 31, 2019, the capital improvements fund contributions totals \$19,647.

The City also pays a monthly amount for its portion of debt incurred by the City of Texarkana, TX for capital improvement. Total paid for the year ended September 30, 2019 was \$8,706.

Because of the payoff of the LTWSC bonds, the assets acquired with the original bond proceeds and assets subsequently acquired through operations were conveyed to the member cities in proportion to their participation in the project. The assets conveyed to the City were valued at cost less depreciation.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Note 13 Interfund Transactions**

Interfund balances at September 30, 2019 consisted of the following:

| Due From (To)   |                      |                     |                   |        |
|-----------------|----------------------|---------------------|-------------------|--------|
| General<br>Fund | Debt Service<br>Fund | Proprietary<br>Fund | Component<br>Unit | Totals |
| \$ 886          | \$ (14,614)          | \$ 13,728           | \$ -              | \$ -   |

Interfund Transfers for the year ended September 30, 2019 consisted of the following amounts:

| Transfer In (Out) |                      |                     |                   |        |
|-------------------|----------------------|---------------------|-------------------|--------|
| General<br>Fund   | Debt Service<br>Fund | Proprietary<br>Fund | Component<br>Unit | Totals |
| \$ 263,497        | \$ -                 | \$ (263,497)        | \$ -              | \$ -   |
| -                 | (160,437)            | 160,437             | -                 | -      |
| \$ 263,497        | \$ (160,437)         | \$ (103,060)        | \$ -              | \$ -   |

Transfers from the Proprietary Fund to the General Fund was to subsidize General Fund operations. Transfers from Debt Service to the Proprietary Fund was to pay a portion of general obligation debt.

**Note 14 Construction Commitments**

The City has committed restricted funds of \$2,587,720, in the Proprietary Fund, for lift stations and an equalization basin (E Q Basin) to retain excess runoff in times of extreme rainfall.

**Note 16 – Subsequent Events**

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements, which was May 4, 2020.

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of this effect cannot, at this time, be estimated or quantified.

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**DISCLOSURES RELATIVE TO COMPONENT UNITS**

**NEW BOSTON SPECIAL INDUSTRIAL DEVELOPMENT CORPORATION (NBSIDC)**

**Note 1 - Organization**

The New Boston Special Industrial Development Corporation (NBSIDC) is a non-profit corporation incorporated March 6, 1990 to act on behalf of the city of New Boston, Texas for the promotion and development of industrial and manufacturing enterprises and to promote and encourage employment and public welfare within the city and the vicinity thereof. The New Boston Special Industrial Development Corporation has been determined to be exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code.

**Note 2 - Collateralization of Deposits**

Statutes authorize the Corporation to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P- I by Moody's Commercial Paper Record. The Corporation's policy is to invest in instruments or require collateral to eliminate exposure to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks.

***Deposits***

At September 30, 2019, the bank balances, including time deposits were fully insured by FDIC or additional coverage of pledged securities at all financial institutions.

**Note 3 - Fixed Assets**

In accordance with its charter, the Corporation has obtained several tracts of land to be used to promote industry in the city of New Boston. Changes in land and other fixed assets during the year ended September 30, 2019, are as follows:

|                                  | Balance<br>10/01/18 | Additions   | Deletions | Balance<br>09/30/19 |
|----------------------------------|---------------------|-------------|-----------|---------------------|
| Industrial park road             | \$ 97,330           | \$ -        | \$ -      | \$ 97,330           |
| Building                         | 322,216             | -           | -         | 322,216             |
| Furniture & equipment            | 66,275              | -           | -         | 66,275              |
| Total Depreciable Capital Assets | 485,821             | -           | -         | 485,821             |
| Less accumulated depreciation    | (136,824)           | (14,149)    | -         | (150,973)           |
| Net Depreciable Capital Assets   | 348,997             | (14,149)    | -         | 334,848             |
| Land                             | 336,332             | -           | -         | 336,332             |
| Net Capital Assets               | \$ 685,329          | \$ (14,149) | \$ -      | \$ 671,180          |

**CITY OF NEW BOSTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Note 4 – Subsequent Events**

After the date of the financial statements and before issuance, the NBSIDC committed \$500,000 of funds to join with the city of Hooks Industrial Development and Bowie County to purchase approximately 800 acres of land between the city of New Boston and the city of Hooks for industrial development.

**Note 5 – New Boston Special Industrial Development Corporation Separate Financial Statements**

Separate financial statements for NBSIDC can be obtained from the New Boston Special Industrial Development Corporation.

**NEW BOSTON COMMUNITY DEVELOPMENT CORPORATION (NBCDC)**

**Note 1 – Establishment of the New Boston Community Development Corporation**

On November 7, 2017, the City held a special election. Eligible voters approved a Type B sales and use tax at the rate of one-eighth of one-percent. The City Council then authorized the formation of the New Boston Community Development Corporation. The Corporation was registered with the Secretary of State on February 5, 2018.

**Note 2 - Collateralization of Deposits**

Statutes authorize the Corporation to invest in bank certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, banker's acceptances repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P- I by Moody's Commercial Paper Record. The Corporation's policy is to invest in instruments or require collateral to eliminate exposure to credit, custodial credit, custodial concentration, interest rate, or foreign currency risks.

***Deposits***

At September 30, 2019, the bank balances, including time deposits were fully insured by FDIC coverage.

**Note 3 – New Boston Community Development Corporation Separate Financial Statements**

Separate financial statements for NBCDC can be obtained from the New Boston Community Development Corporation.



***CITY OF NEW BOSTON, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF NEW BOSTON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|   | Budgeted Amounts |              | GAAP         | Variance with |
|---|------------------|--------------|--------------|---------------|
|   | Original         | Final        | Basis        | Final Budget  |
|   |                  |              | Actual       | Favorable     |
|   |                  |              | Amount       | (Unfavorable) |
| <b>Revenues</b>                                   |                  |              |              |               |
| General sales tax                                 | \$ 976,000       | 976,000      | \$ 951,971   | \$ (24,029)   |
| Franchise fees                                    | 111,000          | 111,000      | 128,534      | 17,534        |
| Hotel and motel tax                               | 180,000          | 180,000      | 167,344      | (12,656)      |
| Property taxes                                    | 360,123          | 360,123      | 342,718      | (17,405)      |
| Charges for services                              | 275,406          | 275,406      | 234,077      | (41,329)      |
| Rents and royalties                               | 226,900          | 226,900      | 220,167      | (6,733)       |
| Interest income                                   | 39,000           | 39,000       | 20,174       | (18,826)      |
| Grants and contributions                          | 89,000           | 100,000      | 52,410       | (47,590)      |
| Miscellaneous                                     | 6,050            | 6,050        | 49,435       | 43,385        |
| Total revenues                                    | 2,263,479        | 2,274,479    | 2,166,830    | (107,649)     |
| <b>Expenditures</b>                               |                  |              |              |               |
| <b>Current</b>                                    |                  |              |              |               |
| Administrative                                    | 209,442          | 209,442      | 183,272      | 26,170        |
| Animal control                                    | 6,650            | 6,650        | 4,118        | 2,532         |
| Hotel/Motel                                       | 124,064          | 124,064      | 125,837      | (1,773)       |
| Court   | 75,632           | 75,632       | 72,362       | 3,270         |
| Detention center                                  | 238,499          | 238,499      | 224,382      | 14,117        |
| Park  | 30,900           | 30,900       | 20,042       | 10,858        |
| Police  | 948,960          | 966,960      | 983,007      | (16,047)      |
| Street  | 103,900          | 103,900      | 94,029       | 9,871         |
| Fire  | 199,943          | 199,943      | 172,548      | 27,395        |
| Library   | 93,816           | 93,816       | 117,632      | (23,816)      |
| Building inspection                               | 4,800            | 4,800        | 2,946        | 1,854         |
| Emergency management                              | 9,550            | 9,550        | 6,715        | 2,835         |
| Capital Outlay                                    | 555,000          | 555,000      | 329,555      | 225,445       |
| Debt Service                                      | 25,815           | 25,815       | 1,804        | 24,011        |
| Total expenditures                                | 2,626,971        | 2,644,971    | 2,338,249    | 306,722       |
| Excess (deficiency) of revenues over expenditures | (363,492)        | (370,492)    | (171,419)    | 199,073       |
| <b>Other financing sources (uses)</b>             |                  |              |              |               |
| Operating transfers in                            | 363,498          | 363,498      | 263,497      | (100,001)     |
| Sale of fixed assets                              | -                | -            | 43,652       | 43,652        |
| Total other financing sources (uses)              | 363,498          | 363,498      | 307,149      | (56,349)      |
| Net change in fund balance                        | 6                | (6,994)      | 135,730      | 142,724       |
| Fund balance at beginning of year                 | 1,086,697        | 1,086,697    | 1,086,697    | -             |
| Fund balance at end of year                       | \$ 1,086,703     | \$ 1,079,703 | \$ 1,222,427 | \$ 142,724    |

**CITY OF NEW BOSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
*Last 10 Years (will ultimately be displayed)*

|   | <i>For the Plan Year Ended December 31,</i> |                     |                     |                     |                     |
|---|---|---------------------|---------------------|---------------------|---------------------|
|   | 2018  | 2017                | 2016                | 2015                | 2014                |
| Total Pension (Asset) Liability   |   |                     |                     |                     |                     |
| Service cost  | \$ 112,883                                  | \$ 102,123          | \$ 95,712           | \$ 88,726           | \$ 85,628           |
| Interest (on the Total Pension Liability)                                 | 237,382                                     | 231,028             | 224,713             | 228,289             | 224,926             |
| Change of benefit terms   | -   | -                   | -                   | -                   | -                   |
| Difference between expected and actual experience                         | 18,111                                      | (53,803)            | (27,583)            | (90,750)            | (69,357)            |
| Change of assumptions   | -   | -                   | -                   | 20,292              | -                   |
| Benefit payments, including refunds to employees                          | (169,921)                                   | (211,260)           | (193,718)           | (170,785)           | (218,619)           |
| Net Change in Total Pension Liability                                     | 198,455                                     | 68,088              | 99,124              | 75,772              | 22,578              |
| Total Pension Liability - Beginning                                       | 3,545,290                                   | 3,477,202           | 3,378,078           | 3,302,306           | 3,279,728           |
| Total Pension Liability - Ending (a)                                      | <u>3,743,745</u>                            | <u>3,545,290</u>    | <u>3,477,202</u>    | <u>3,378,078</u>    | <u>3,302,306</u>    |
| Plan Fiduciary Net Position   |   |                     |                     |                     |                     |
| Contributions - employer  | 28,306                                      | 27,073              | 27,467              | 31,282              | 47,711              |
| Contributions - employee  | 69,940                                      | 62,961              | 58,690              | 55,663              | 56,131              |
| Net investment income   | (119,811)                                   | 502,224             | 236,390             | 5,283               | 200,067             |
| Benefit payments, including refunds to employees                          | (169,921)                                   | (211,260)           | (193,718)           | (170,785)           | (218,619)           |
| Administrative expense  | (2,318)                                     | (2,604)             | (2,670)             | (3,218)             | (2,089)             |
| Other changes   | (121)                                       | (132)               | (144)               | (160)               | (172)               |
| Net Change in Plan Fiduciary Net Position                                 | (193,925)                                   | 378,262             | 126,015             | (81,935)            | 83,029              |
| Plan Fiduciary Net Position - Beginning (b)                               | 4,003,110                                   | 3,624,848           | 3,498,833           | 3,580,768           | 3,497,739           |
|   | <u>\$ 3,809,185</u>                         | <u>\$ 4,003,110</u> | <u>\$ 3,624,848</u> | <u>\$ 3,498,833</u> | <u>\$ 3,580,768</u> |
| Net Pension (Asset) Liability - Ending (a) - (b)                          | <u>\$ (65,440)</u>                          | <u>\$ (457,820)</u> | <u>\$ (147,646)</u> | <u>\$ (120,755)</u> | <u>\$ (278,462)</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability    | 101.75%                                     | 112.91%             | 104.25%             | 103.57%             | 108.43%             |
| Covered Employee Payroll  | 1,398,804                                   | 1,259,219           | 1,168,648           | \$ 1,113,252        | \$ 1,122,625        |
| Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll | (4.68%)                                     | (36.36%)            | (12.63%)            | (10.85%)            | (24.80%)            |

**CITY OF NEW BOSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**SCHEDULE OF CONTRIBUTIONS**  
*Last 10 Years (will ultimately be displayed)*

|  | <i>For the Fiscal Year Ended September 30,</i> |              |              |              |              |              |
|--|--|--------------|--------------|--------------|--------------|--------------|
|  | 2019   | 2018         | 2017         | 2016         | 2015         | 2014         |
| Actuarially Determined Contribution                                  | \$ 25,347                                      | \$ 28,156    | \$ 27,455    | \$ 29,496    | \$ 35,796    | \$ 47,711    |
| Contributions in relation to the actuarially determined contribution | (25,347)                                       | (28,156)     | (27,455)     | (29,496)     | (35,796)     | (47,711)     |
| Contribution deficiency (excess)                                     | -  | -            | -            | -            | -            | -            |
| Covered employee payroll   | \$ 1,473,068                                   | \$ 1,398,796 | \$ 1,259,219 | \$ 1,168,648 | \$ 1,113,252 | \$ 1,122,625 |
| Contributions as a percentage of covered employee payroll            | 1.72%  | 2.01%        | 2.18%        | 2.52%        | 3.22%        | 4.25%        |

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and assumptions Used to Determine Contribution Rates:**

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 25 years  |
| Asset Valuation Method        | 10 year smoothed market; 15% soft corridor  |
| Inflation                     | 2.5%  |
| Salary Increases              | 3.50% to 10.5% including inflation  |
| Investment Rate of Return     | 6.75%   |
| Retirement Age                | Experienced-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to experience study of the period 2010-2014.          |
| Mortality                     | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rated multiplied by 109% and female rates multiplied by 103% and projected on fully generational basis with scale BB. |
| Other information:            | There were no benefit changes during the year.  |

**CITY OF NEW BOSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

|   | <i>Plan Year Ended December 31,</i> |              |
|---|-------------------------------------|--------------|
|   | 2018                                | 2017         |
| Total OPEB Liability:                                   |                                     |              |
| Service cost  | \$ 5,315                            | \$ 4,155     |
| Interest (on the Total Pension Liability)               | 3,168                               | 3,091        |
| Change of benefit terms                                 | -                                   | 6,935        |
| Difference between expected and actual experience       | (15)                                | -            |
| Change of assumptions                                   | (6,331)                             |              |
| Benefit payments, including refunds to employees        | (839)                               | (756)        |
| Net Change in OPEB Liability                            | 1,298                               | 13,425       |
| Total OPEB Liability - Beginning                        | 93,485                              | 80,060       |
| Total OPEB Liability - Ending (a)                       | \$ 94,783                           | \$ 93,485    |
| <br>  |                                     |              |
| Covered Employee Payroll                                | \$ 1,398,804                        | \$ 1,345,157 |
| Total OPEB liability as a percentage of covered Payroll | 6.78%                               | 6.95%        |

**Notes to the Schedule:**

Plan information:

Single-employer unfunded OPEB plan

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75 paragraph 4 to pay related benefits.

Actuarial Valuation & Measurement Date:

Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Significant actuarial assumptions used to measure the total OPEB liability:

|  |  |
|--|--|
| Inflation                                | 2.5%   |
| Salary Increases                         | 3.50% to 10.50%, including inflation   |
| Discount Rate                            | 3.71% (Based on Fidelity Index's "20-year Municipal GO AA Index" rate as of 12/31/18). |
| Retirees' Share of Benefit-related Costs | \$0  |

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB #68.

Mortality - Service Retirees

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality - Disabled Retirees

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

This schedule is presented to illustrate the requirements to show information for 10 years. Future years will be provided as the information becomes available.

**CITY OF NEW BOSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
*Last 10 Years (will ultimately be displayed)*

|   | <i>For the Fiscal Year Ended September 30,</i> |              |
|---|--|--------------|
|   | 2019   | 2018         |
| Actuarially determined contributions                              | \$ 3,423                                       | \$ 3,199     |
| Contributions in relation to actuarially determined contributions | (3,423)  | (3,199)      |
| Contributions deficiency (excess)                                 | <u>\$ -</u>                                    | <u>\$ -</u>  |
| Covered payroll   | \$ 1,473,068                                   | \$ 1,345,157 |
| Contributions as a percentage of covered payroll                  | 0.23%  | 0.24%        |