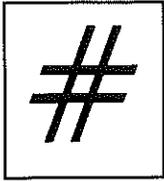


CITY OF NEWARK, TX
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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William C. Spore, P.C.

Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Newark, Texas

I have audited the accompanying financial statements of the governmental activities, business-type activities and major funds of the City of Newark, Texas as of September 30, 2009, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. My responsibility is to express an opinion on these general purpose financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and major funds of the City of Newark, Texas at September 30, 2009 and the changes in financial position and cash flows, where applicable, of those activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2010 on my consideration of the City of Newark's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

The management's discussion and analysis and the budgetary comparison schedule for the governmental fund are not a required part of the basic financial statements, but are supplementary information required by GASB. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The other supplementary information schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Newark, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

William C. Spore, P.C.
January 21, 2010

**CITY OF NEWARK, TX
CITY OFFICIALS**

September 30, 2009

MAYOR	Matt Newby
MAYOR PRO TEM	Lucille Drain
COUNCIL MEMBERS	Jerry Davidson
	Chana Massey
	Laura Pixler
	Bob Wells
CITY SECRETARY	Sherry Edgemon
POLICE CHIEF	Edmond Fiene
MUNICIPAL COURT JUDGE	Manuel Valdez

CITY OF NEWARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Newark, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. The information provided here should be used in conjunction with the basic financial statements.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as a Whole - Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets (page 10) presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 11) presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City provides two types of activities - Governmental type activities and Business type.

- **Governmental type activities** - Most of the City's basic services are reported here, including police, municipal court, animal control, fire, library, code enforcement, inspection, public works, and general administration. Property taxes, sales taxes, franchise fees, permit revenues and municipal court fines finance most of these activities.
- **Business Type Activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 12 and provide detailed information about the most significant funds -not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the City's water and sewer fund are the same as the business-type activities we report in the government-wide statements but we provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets are as follows:

	GOVERNMENT-WIDE NET ASSETS				TOTAL PRIMARY	
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		GOVERNMENT	
	2009	2008	2009	2008	2009	2008
Current & Other Assets	\$ 381,329	\$ 394,651	\$ 72,043	\$ 53,123	\$ 453,372	\$ 447,774
Capital Assets	175,098	167,484	1,731,711	1,792,785	1,906,809	1,960,269
Total Assets	<u>556,427</u>	<u>562,135</u>	<u>1,803,754</u>	<u>1,845,908</u>	<u>2,360,181</u>	<u>2,408,043</u>
Long-Term Debt	308,148	324,066	71,000	79,000	379,148	403,066
Other Liabilities	36,961	82,384	79,951	144,957	116,912	227,341
Total Liabilities	<u>345,109</u>	<u>406,450</u>	<u>150,951</u>	<u>223,957</u>	<u>496,060</u>	<u>630,407</u>
Invested in Capital						
Net of Debt	92,293	94,021	1,652,711	1,788,385	1,745,004	1,882,406
Restricted	18,183	0	0	0	18,183	0
Unrestricted	100,842	61,664	92	(166,434)	100,934	(104,770)
Total Net Assets	<u>\$ 211,318</u>	<u>\$ 155,685</u>	<u>\$ 1,652,803</u>	<u>\$ 1,621,951</u>	<u>\$ 1,864,121</u>	<u>\$ 1,777,636</u>

At September 30, 2009 the City had total assets of \$2,360,181, including capital assets of \$1,906,809. These capital assets represent 81% of the City's total assets. The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net assets (assets less liabilities) increased \$86,483 in 2009 compared to \$564,567 in 2008. The large increase in net assets in 2008 was primarily due to the receipt of water and waste water improvement grants in 2008 in the amount of \$490,800. There were no corresponding revenues in 2009.

During fiscal year 2009 the City did not add any long-term debts while \$300,000 in long-term debts were added in 2008.

Analysis of City's Operations

A summary of the City's operations for the year ended September 30, 2009, with comparative totals for the year ended September 30, 2008 are as follows:

REVENUES	CHANGES IN NET ASSETS				TOTAL PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		2009	2008
	2009	2008	2009	2008		
Program Revenues:						
Charges for Services	\$ 132,808	\$ 109,442	\$ 373,206	\$ 337,792	\$ 506,014	\$ 447,234
Operating Grants & Donations	107,514	87,561	0	0	107,514	87,561
Capital Grants & Donations	0	0	0	490,800	0	490,800
General Revenues:						
Property Taxes	245,058	209,504	--	--	245,058	209,504
Sales & Beverage Taxes	65,102	72,027	--	--	65,102	72,027
Franchise Taxes	47,381	46,847	--	--	47,381	46,847
Interest Income	2,779	1,705	2	4	2,781	1,709
Transfers	(74,232)	0	74,232	109,219	0	109,219
TOTAL REVENUES	526,410	527,086	447,440	937,815	973,850	1,464,901
PROGRAM EXPENSES						
General Government	148,050	181,302	--	--	148,050	181,302
Public Safety	195,560	169,588	--	--	195,560	169,588
Public Works	58,904	23,244	--	--	58,904	23,244
Culture & Recreation	47,135	63,570	--	--	47,135	63,570
Interest Expense	21,130	4,180	--	--	21,130	4,180
Water & Sewer	--	--	416,588	458,450	416,588	458,450
TOTAL EXPENSES	470,779	441,884	416,588	458,450	887,367	900,334
CHANGE IN NET ASSETS	\$ 55,631	\$ 85,202	\$ 30,852	\$ 479,365	\$ 86,483	\$ 564,567

Total City wide revenues decreased by \$491,051 from fiscal year 2008 primarily due to receiving capital grants in 2008 of \$490,800 with no similar revenues in 2009.

Governmental activities expenses increased \$28,895 from 2008 to 2009 while business-type activities expenses decreased \$41,862 during the same period of time. City wide expenses decreased \$12,967 in 2009.

GOVERNMENTAL FUND ANALYSIS

Governmental Funds - The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unreserved fund balance may serve a measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Fund revenues compared to the prior year were as follows:

	2009	2008	%
Tax Revenues	\$ 325,861	\$ 328,378	-0.77%
Intergovernmental Revenues	93,644	84,801	10.43%
Police Fines	54,334	54,872	-0.98%
Charges for Services	12,629	10,800	16.94%
Licenses & Permits	2,916	3,712	-21.44%
Donations	3,870	2,760	40.22%
Investment Income	2,779	1,705	62.99%
Other Income	72,929	51,621	41.28%
	\$ 568,962	\$ 538,649	5.63%

Tax revenues include property taxes, sales taxes and franchise taxes. Tax revenues decreased in 2009, compared to 2008, due to a decrease in sales tax collections related to the current economic conditions. Intergovernmental revenues include fire and library department funding received from other governmental entities. These revenues increased during 2009 due to an increase in interlocal fire department revenues from \$59,000 in 2008 to \$69,360 in 2009.

Other income includes insurance proceeds, insurance refunds, gas lease revenues, developer reimbursements, and other miscellaneous revenues. These other sources of revenues increased by \$21,308 during 2009.

Governmental Fund expenditures compared to the prior year is as follows:

	2009	2008	%
Administration	\$ 190,138	\$ 217,023	-12.39%
Fire	76,063	63,829	19.17%
Police	115,411	112,108	2.95%
Public Works	64,509	23,245	177.52%
Library	42,402	53,543	-20.81%
Transfer to Water & Sewer	74,232	112,661	-34.11%
	\$ 562,755	\$ 582,409	-3.37%

Administrative expenditures decreased in 2009 primarily due to a significant decrease in legal fees compared to 2008. Fire department expenditures increased during 2009 as they are directly related to fire department interlocal revenues, which also increased in 2009. Public works expenditures increased in 2009 as the City began allocating personnel costs to the public works department which were being charged to the water and sewer fund in prior years. The change was made to better reflect how the City's outside

personnel were spending their time. Total personnel costs incurred by the public works department in 2009 was \$22,915. The Library expenditures decreased during 2009 due to a decrease in the personnel costs associated with the library.

Proprietary funds - The City's proprietary fund statements (water and sewer fund) provide the same type of information found in the government-wide financial statements, but in more detail. Water and sewer revenues increased \$35,414 (10%) from 2008 to 2009 and operating expenses decreased \$65,495 (14%) during the same time period. The increase in revenues is primarily attributed to an increase water and sewer usage. The decrease in water and sewer expenditures is due to several factors including (1) the reallocation of personnel costs to the public works department discussed above, (2) a decrease in utility costs due to reduced rates from the utility providers and reduction in repair and maintenance costs during 2009.

In 2009 the water and sewer fund had an operating deficit of \$17,674 compared to an operating deficit of \$118,583 in 2008.

General Fund Budgetary Highlights

A general fund budget - actual summary for 2009 is as follows:

REVENUES	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
Tax Revenues	\$ 334,450	\$ 325,861	\$ (8,589)
Intergovernmental Revenues	18,730	93,644	74,914
Police Fines	57,000	54,334	(2,666)
Charges for Services	7,200	12,629	5,429
Licenses & Permits	4,000	2,916	(1,084)
Donations	0	3,870	3,870
Investment Income	100	2,779	2,679
Other Income	32,300	72,929	40,629
	<u>\$ 453,780</u>	<u>\$ 568,962</u>	<u>\$ 115,182</u>
APPROPRIATIONS			
Administration	\$ 196,838	\$ 190,138	\$ 6,700
Fire	6,970	76,063	(69,093)
Police	133,266	115,411	17,855
Public Works	55,885	64,509	(8,624)
Library	28,875	42,402	(13,527)
Transfer to Water & Sewer	15,000	74,232	(59,232)
	<u>436,834</u>	<u>562,755</u>	<u>(125,921)</u>
BALANCE	<u>\$ 16,946</u>	<u>\$ 6,207</u>	<u>\$ (10,739)</u>

Actual revenues exceeded budgeted revenues by \$115,182 primarily due to a favorable variance in intergovernmental revenues of \$74,914 and in other income of \$40,629. The favorable variance in intergovernmental revenues is due to the City not budgeting fire department interlocal revenues and the related expenditures which net to zero. The actual amounts include (are grossed up for) the fire department revenues and related pass-through expenditures. The favorable variance in other income is due

to an increase in insurance proceeds/refunds and the receipt of developer reimbursements which were not included in the budget.

Actual expenditures exceeded budgeted expenditures by \$125,921. This unfavorable variance was due in part to the fire department contract service expenditures not being included in the budget and there are considered to be a pass-through for budgeting purposes but the actual expenditures include (are grossed up for) the actual expenditures for fire contract service along with the related interlocal revenues. Budgeted transfers to the water and sewer fund were \$15,000 but, due to the water and sewer fund operating deficit, actual transfers to the water and sewer fund were \$74,232.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2009 amounts to \$1,906,808 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Infrastructure includes the water and sewer systems. Capital assets added in 2009 City Hall building improvements, a new copy machine, library building improvements, and construction was begun on a new maintenance building to be shared by the public works and water and sewer departments.

The City's capital assets, net of accumulated depreciation, are as follows:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2009	2008	2009	2008	2009	2008
Land	\$ 61,549	\$ 61,549	\$ 4,400	\$ 4,400	\$ 65,949	\$ 65,949
Buildings & Improvements	81,395	68,234	5,605	0	87,000	68,234
Equipment	32,153	37,701	0	0	32,153	37,701
Water & Sewer System	0	0	1,721,706	1,788,385	1,721,706	1,788,385
TOTAL	\$ 175,097	\$ 167,484	\$ 1,731,711	\$ 1,792,785	\$ 1,906,808	\$ 1,960,269

Additional information on the City's capital assets can be found in Note 3.

DEBT ADMINISTRATION

No new long-term debts were added during 2009. Outstanding long-term debts are as follows:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2009	2008	2009	2008	2009	2008
Tax and Revenue Bonds	\$ 316,950	\$ 328,900	\$ 79,000	\$ 87,000	\$ 395,950	\$ 415,900
Capital Leases	8,166	11,915	0	0	8,166	11,915
TOTAL	\$ 325,116	\$ 340,815	\$ 79,000	\$ 87,000	\$ 404,116	\$ 427,815

A total of \$2,675 was transferred from the governmental debt service fund to the water and sewer fund in support of a debt service payment. Additional information on the City's long-term debts can be found in Note 4.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted governmental fund revenues for fiscal year 2010 are \$433,429, a decrease of \$20,351 from 2009 budgeted revenues. The tax rate applied in the 2010 budget is 52.26 cents per \$100 of valuation, a decrease of .44 cents per \$100 of valuation from 2009.

Budgeted governmental fund expenditures for 2010 are \$424,203, a decrease of \$19,359 from 2009 budgeted expenditures. The budget provides for a surplus of revenues over expenditures of \$9,226.

Water and sewer fund budgeted revenues for fiscal year 2010 are \$384,517, an increase of \$6,288 over 2009 budgeted revenues. 2010 budgeted water and sewer fund expenses are \$371,334 an increase of \$5,937 over 2009 budgeted expenses. The water and sewer fund is budgeted to have a surplus of \$13,183.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City of Newark. If you have questions about this report or need any additional information, contact the City Secretary at: 310 FM 178, Newark, TX. 76071 or at 817-489-2201.

CITY OF NEWARK, TX
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

September 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 84,094	\$ 40,184	\$ 124,278
Accounts Receivable (net)	36,742	31,859	68,601
TOTAL CURRENT ASSETS	120,836	72,043	192,879
NONCURRENT ASSETS			
Restricted Cash	241,493	0	241,493
Unamortized Bond Issue Costs	19,000	0	19,000
Capital Assets:			
Land	61,549	4,400	65,949
Construction in Progress	5,605	5,605	11,210
Buildings & Improvements	140,092	11,295	151,387
Equipment	211,075	117,475	328,550
Infrastructure	0	2,629,804	2,629,804
Less - Accumulated Depreciation	(243,223)	(1,036,868)	(1,280,091)
Total Capital Assets, Net of Accum. Depr.	175,098	1,731,711	1,906,809
TOTAL NONCURRENT ASSETS	435,591	1,731,711	2,167,302
TOTAL ASSETS	556,427	1,803,754	2,360,181
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	15,340	20,013	35,353
Accrued Expenses	4,654	21,169	25,823
Customer Deposits	0	30,769	30,769
Bonds Payable	13,000	8,000	21,000
Capital Lease Payable	3,967	0	3,967
TOTAL CURRENT LIABILITIES	36,961	79,951	116,912
NONCURRENT LIABILITIES			
Bonds Payable	303,950	71,000	374,950
Capital Lease Payable	4,198	0	4,198
TOTAL NONCURRENT LIABILITIES	308,148	71,000	379,148
TOTAL LIABILITIES	345,109	150,951	496,060
NET ASSETS			
Invested in Capital Assets, net of Related Debt	92,293	1,652,711	1,745,004
Restricted For:			
Debt Service	16,838	0	16,838
Spirit of Christmas	1,345	0	1,345
Unrestricted	100,842	92	100,934
TOTAL NET ASSETS	\$ 211,318	\$ 1,652,803	\$ 1,864,121

CITY OF NEWARK, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (148,050)	\$ 77,825	\$ 11,344	\$ 0	\$ (58,881)	\$ -	\$ (58,881)
Public Safety	(195,560)	54,334	70,635	0	(70,591)	-	(70,591)
Public Works	(58,904)	0	0	0	(58,904)	-	(58,904)
Culture & Recreation	(47,135)	649	25,535	0	(20,951)	-	(20,951)
Interest on Long-Term Debt	(21,130)	0	0	0	(21,130)	-	(21,130)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(470,779)</u>	<u>132,808</u>	<u>107,514</u>	<u>0</u>	<u>(230,457)</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	(416,588)	373,206	0	0	-	(43,382)	(43,382)
TOTAL PRIMARY GOVERNMENT	<u>(887,367)</u>	<u>506,014</u>	<u>107,514</u>	<u>0</u>	<u>(230,457)</u>	<u>(43,382)</u>	<u>(273,839)</u>
GENERAL REVENUE							
Property Taxes					245,058	-	245,058
Sales Taxes					65,102	-	65,102
Franchise Fees					47,381	-	47,381
Interest Income					2,779	2	2,781
Transfers					(74,232)	74,232	0
TOTAL GENERAL REVENUE					<u>286,088</u>	<u>74,234</u>	<u>360,322</u>
CHANGE IN NET ASSETS					<u>55,631</u>	<u>30,852</u>	<u>86,483</u>
NET ASSETS - BEGINNING					<u>155,687</u>	<u>1,621,951</u>	<u>1,777,638</u>
NET ASSETS - ENDING					<u>\$ 211,318</u>	<u>\$ 1,652,803</u>	<u>\$ 1,864,121</u>

**CITY OF NEWARK, TX
BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2009

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 85,439	\$ 16,838	\$ 223,310	\$ 325,587
Receivables:				
Sales Taxes	3,629	0	0	3,629
Franchise Taxes	1,433	0	0	1,433
Property Taxes	26,897	4,783	0	31,680
TOTAL ASSETS	117,398	21,621	223,310	362,329
LIABILITIES				
Accounts Payable	15,340	0	0	15,340
Accrued Expenses	86	0	0	86
Deferred Taxes	26,897	4,783	0	31,680
TOTAL LIABILITIES	42,323	4,783	0	47,106
FUND BALANCES				
Restricted For:				
Debt Service	0	16,838	0	16,838
Capital Improvements	0	0	223,310	223,310
Spirit of Christmas	1,345	0	0	1,345
Unassigned	73,730	0	0	73,730
TOTAL FUND BALANCES	75,075	16,838	223,310	315,223
TOTAL LIABILITIES AND FUND BALANCES	\$ 117,398	\$ 21,621	\$ 223,310	\$ 362,329

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

Fund Balance - Governmental Funds		\$ 315,223
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Fund Balance Sheet		175,098
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet		31,680
Debt issue costs are current expenditures in the fund statement of revenues & expenditures but are amortized in the statement of net assets.		19,000
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet		(329,683)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ 211,318

**CITY OF NEWARK, TX
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2009

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 178,442	\$ 34,936	\$ 0	\$ 213,378
Sales Taxes	65,102	0	0	65,102
Franchise Fees	47,381	0	0	47,381
Intergovernmental	93,644	0	0	93,644
Charges for Services	12,629	0	0	12,629
Fines	54,334	0	0	54,334
Licenses and Permits	2,916	0	0	2,916
Donations	3,870	0	0	3,870
Insurance Proceeds and Equity Returns	24,369	0	0	24,369
Gas Lease Income	17,747	0	0	17,747
Other Revenues	20,813	0	0	20,813
Developer Reimbursements	10,000	0	0	10,000
Interest Income	28	12	2,739	2,779
TOTAL REVENUES	531,275	34,948	2,739	568,962
EXPENDITURES				
General Government	145,337	0	0	145,337
Public Safety	187,031	0	0	187,031
Public Works	58,904	0	0	58,904
Culture & Recreation	36,833	0	0	36,833
Capital Outlay	14,415	0	13,742	28,157
Debt Service:				
Principal	0	15,699	0	15,699
Interest	0	16,562	0	16,562
TOTAL EXPENDITURES	442,520	32,261	13,742	488,523
EXCESS REVENUES OVER (UNDER) EXPENDITURES	88,755	2,687	(11,003)	80,439
OTHER FINANCING SOURCES (USES)				
Transfers In	2,675	0	0	2,675
Transfers Out	0	(2,675)	0	(2,675)
Transfer to Water & Sewer Fund	(26,952)	0	(47,280)	(74,232)
TOTAL OTHER FINANCING SOURCES (USES)	(24,277)	(2,675)	(47,280)	(74,232)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	64,478	12	(58,283)	6,207
FUND BALANCE - BEGINNING	10,597	16,826	281,593	309,016
FUND BALANCE - ENDING	\$ 75,075	\$ 16,838	\$ 223,310	\$ 315,223

CITY OF NEWARK, TX

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Net Change in Fund Balance - Governmental Funds	6,207
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:	
Capital assets recorded in the current period	28,157
Depreciation expense on capital assets	(20,544)
Bond & Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
	0
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	15,699
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Revenues - Property Taxes	31,680
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Bond Issue Cost Amortization	(1,000)
Accrued Interest	(4,568)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>55,631</u>

CITY OF NEWARK, TX
STATEMENT OF NET ASSETS
PROPRIETARY FUND

September 30, 2009

**WATER & SEWER
FUND**

ASSETS

CURRENT ASSETS

Cash	\$	40,184
Accounts Receivable (net)		31,859
TOTAL CURRENT ASSETS		<u>72,043</u>

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Construction in Progress		5,605
Buildings		11,295
Equipment		117,475
Distribution & Collection Systems		2,629,804
Less - Accumulated Depreciation		(1,036,868)
Total Capital Assets, Net of Accum. Depr.		<u>1,731,711</u>

TOTAL ASSETS		<u>1,803,754</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable		20,013
Accrued Expenses		21,169
Customer Deposits		30,769
Series 1979 Revenue Bonds - Current Portion		8,000
TOTAL CURRENT LIABILITIES		<u>79,951</u>

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds		71,000
TOTAL NONCURRENT LIABILITIES		<u>71,000</u>

TOTAL LIABILITIES		<u>150,951</u>
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NET ASSETS

Invested in Capital Assets, net of Related Debt		1,652,711
Unrestricted		92
TOTAL NET ASSETS	\$	<u>1,652,803</u>

CITY OF NEWARK, TX

STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND

For the Year Ended September 30, 2009

	WATER & SEWER
OPERATING REVENUES	
Charges for Services	
Water	\$ 184,826
Sewer	90,882
Garbage	77,820
Total Charges for Services	<u>353,528</u>
Tap Fees	4,500
Late Charges	12,198
Miscellaneous	2,980
TOTAL OPERATING REVENUES	<u>373,206</u>
OPERATING EXPENSES	
Personnel Services	85,271
Supplies and Contract Services	179,503
Professional Fees	26,129
Repair & Maintenance	33,298
Depreciation	66,679
TOTAL OPERATING EXPENSES	<u>390,880</u>
OPERATING INCOME (LOSS)	<u>(17,674)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	2
Interest Expense	(3,896)
TCEQ Settlement	(21,812)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(25,706)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(43,380)</u>
TRANSFERS FROM GENERAL FUND	<u>74,232</u>
CHANGE IN NET ASSETS	30,852
NET ASSETS - BEGINNING	<u>1,621,951</u>
NET ASSETS - ENDING	<u>\$ 1,652,803</u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 369,535
Cash Payments to Suppliers for Goods and Services	(262,928)
Cash Payments for Employees Services	(86,865)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>19,742</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from General Fund	<u>26,952</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(51,855)
Transfers from General Fund	47,280
Principal Paid on Bonds	(8,000)
Interest Paid on Bonds	(4,151)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,726)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>2</u>
 NET INCREASE IN CASH	 29,970
 CASH - BEGINNING OF YEAR	 <u>10,214</u>
 CASH - END OF YEAR	 <u>\$ 40,184</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (17,674)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	66,679
(Increase) Decrease in Receivables	11,050
Increase (Decrease) in Accounts Payable	(22,496)
Increase (Decrease) in Accrued Expenses	18,716
Increase (Decrease) in Customer Deposits	(14,721)
TCEQ Settlement	(21,812)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 19,742</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The City of Newark, Texas (the City) was incorporated in 1951. The City operates under a Council-Manager form of government, following the laws of a Home Rule City as defined by the State of Texas. The City provides the following services: animal control, library, code enforcement and inspection, municipal court, parks, police, public works, sanitation and general administrative services. In addition the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below:

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Newark (the primary government). The City has one component unit (separately administered organizations that are controlled or dependent on the City); the Newark Cultural Educational Facilities Finance Corporation (NCEFFC). NCEFFC was created in April 2008 primarily for the purpose of providing funds to borrowers to enable such borrowers to acquire, construct, renovate or otherwise improve facilities; see Note 8 related to conduit debt. NCEFFC does not have any assets or liabilities.

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's animal control, library, code enforcement and inspection, municipal court, parks, police, public works, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, culture, recreation and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants.

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Improvement Fund - The Capital Improvement Fund is used to account for funds restricted or designated for future capital improvements.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

2. Proprietary Funds:

The focus of proprietary funds' measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Water and Sewer - The Water and Sewer Fund is used to account for the operation of the City's water and sewer system for which a fee is charged to external customers for goods and services and the activity is (a) financed with debt secured by a pledge of the net revenues and (b) has the requirement that the cost of providing services, including capital costs, be recovered by user fees and charges.

The City does not have any fiduciary funds.

D: BASIS OF ACCOUNTING:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related primarily to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental activities and business type activities in the government-wide financial statements and the proprietary fund statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expensed are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

3. Revenue Recognition:

The City considers property, sales and franchise taxes as available if collected within 60 days after year end. All other governmental revenues are recognized when received.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

4. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits and certificates of deposit which have maturities of three months or less.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 - 40 years
Equipment	3 - 10 years
Water & Sewer system	40 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the with the fiscal year beginning October 1, 2003. Infrastructure includes roads, bridges and drainage systems. These infrastructure assets are likely to be the largest asset class of the City.

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies, grants and developer contributions to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenues based upon GASB. No.33.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

5. Compensated Absences:

The City accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations. The amount of unused vacation time at September 30, 2009 was considered immaterial and not recorded in the financial statements.

6. Interfund Activity:

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payable as appropriate and are subject to elimination upon consolidation. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

7. Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

8. Bad Debts:

Bad debts in the proprietary fund are considered immaterial, therefore the City uses the direct write-off method to record bad debts. The City anticipates ultimately collecting 100% of delinquent property taxes, therefore there is no allowance for delinquent property taxes in the government-wide financial statements.

9. Operating Revenues & Expenses:

The City's Proprietary fund distinguishes between operating and non operating revenues and expenses. Operating revenues and expenses of the City's water and sewer fund consist of charges for services, connection fees and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

10. Capitalized Interest:

For proprietary fund reporting the City capitalizes construction period interest costs when incurred. No interest was capitalized during the fiscal year.

NOTE 2: DEPOSITS:

At September 30, 2009 the carrying amount of the City's cash accounts was \$365,771, made up of petty cash of \$409 and \$365,362 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2009.

Deposit and Investment risk Disclosures:

(1) Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City does not currently own any investments and, therefore, is not exposed to credit risk.

(2) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2009 the City's bank balances (per bank) totaled \$386,348. All of the bank balances were covered by federal depository insurance. The City was not exposed to custodial credit risk at September 30, 2009.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

In addition to FDIC coverage, the following securities were pledged by the City's depository institutions to further secure the City's accounts at September 30, 2009:

SECURITY	PAR	FMV
Federal Reserve Bank Bond	\$54,047	\$58,117
Federal Reserve Bank Bond	\$52,069	\$55,989

(3) Concentration of credit risk:

This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

(4) Interest rate risk:

This is the risk that changes in interest rates will adversely effect the fair value of an investment. The City does not currently own any investments and, therefore, is not exposed to interest rate risk.

NOTE 3: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2009 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Construction in Progress	0	5,605	0	5,605
Buildings & Improvements	126,961	13,131	0	140,092
Equipment	201,654	9,421	0	211,075
TOTAL AT HISTORICAL COST	<u>390,164</u>	<u>28,157</u>	<u>0</u>	<u>418,321</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	58,727	5,575		64,302
Equipment	163,953	14,969	0	178,922
TOTAL ACCUMULATED DEPRECIATION	<u>222,680</u>	<u>20,544</u>	<u>0</u>	<u>243,224</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 167,484</u>	<u>\$ 7,613</u>	<u>\$ 0</u>	<u>\$ 175,097</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	1,713
Police		8,529
Library & Community Center		10,302
TOTAL DEPRECIATION EXPENSE	\$	<u>20,544</u>

CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	0	5,605	0	5,605
Buildings & Improvements	11,295	0	0	11,295
Equipment	117,475	0	0	117,475
Water & Sewer System	<u>2,629,804</u>	<u>0</u>	<u>0</u>	<u>2,629,804</u>
TOTAL AT HISTORICAL COST	<u>2,762,974</u>	<u>5,605</u>	<u>0</u>	<u>2,768,579</u>

ACCUMULATED DEPRECIATION

Buildings & Improvements	11,295	0		11,295
Equipment	117,474	0	0	117,474
Water & Sewer System	<u>841,420</u>	<u>66,679</u>	<u>0</u>	<u>908,099</u>
TOTAL ACCUMULATED DEPRECIATION	<u>970,189</u>	<u>66,679</u>	<u>0</u>	<u>1,036,868</u>

TOTAL CAPITAL ASSETS, NET	\$ <u>1,792,785</u>	\$ <u>(61,074)</u>	\$ <u>0</u>	\$ <u>1,731,711</u>
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DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES AS FOLLOWS:

Water & Sewer	\$	<u>66,679</u>
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NOTE 4: LONG-TERM DEBT:

The following is a summary of the City's Long-Term Debt.

Governmental Funds:

General Obligation Bonds, Series 1979 - The bonds are payable from an ad valorem tax to be levied by the City, bear interest at 5% and the remaining bonds are redeemable by the City prior to their scheduled maturities. The bonds require semi-annual payments with the final payment due in January 2017.

Combination Tax and Revenue Certificates of Obligation, Series 2008 - The bonds are payable from an ad valorem tax to be levied by the City, bear interest at 4.5% and the bonds maturing on or after

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

June 15, 2019 can be redeemed prior to their maturity on December 15, 2018 or any date thereafter. The bonds require semi-annual payments with the final payment due in June 2028.

Capital Lease - Chrysler Financial Services - the lease requires five annual payments of \$4,443 starting in April 2007. The lease bears interest at 5.82% and the lease proceeds were used to purchase a police vehicle, which serve as collateral for the lease.

Proprietary Fund:

Waterworks and Sewer System Revenue Bonds, Series 1979 - The bonds are payable from a pledge of the net revenues of the water and sewer system, bear interest at 5% and the remaining bonds are redeemable by the City prior to their scheduled maturities. The bonds require semi-annual payments with the final payment due in January 2017.

The Revenue Bonds require that certain cash reserve accounts be maintained. At September 30, 2009 the City had established and maintained the proper reserve accounts. The bonds also require that the City charge and collect sufficient water and sewer revenues to pay all operating, maintenance, depreciation and debt service costs of the water and sewer fund. During fiscal year 2009 the water and sewer revenues were deficient by \$29,570 and funds were transferred from the general fund to cover this shortage.

Long-term debt activity for the fiscal year is as follows:

	BEGINNING BALANCE	DEBT ISSUED	REPAYMENTS	ENDING BALANCE	CURRENT PORTION
GOVERNMENTAL ACTIVITIES:					
1979 General Obligation Bonds Payable	\$ 28,900	\$ 0	\$ 2,950	\$ 25,950	\$ 3,000
2008 Tax & Revenue Certificates Payable	300,000	0	9,000	291,000	10,000
Capital Lease Payable	11,915	0	3,749	8,166	3,967
TOTAL	\$ 340,815	\$ 0	\$ 15,699	\$ 325,116	\$ 16,967
BUSINESS-TYPE ACTIVITIES:					
1979 Revenue Bonds Payable	\$ 87,000	\$ 0	\$ 8,000	\$ 79,000	\$ 8,000
TOTAL	\$ 87,000	\$ 0	\$ 8,000	\$ 79,000	\$ 8,000

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

Future debt maturities are as follows:

<u>Year</u>	Governmental Type Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 16,967	\$ 15,608	\$ 8,000	\$ 3,750
2011	17,199	14,824	9,000	3,550
2012	14,000	13,952	9,000	3,100
2013	14,000	13,276	10,000	2,650
2014	15,000	12,600	10,000	2,150
2015-2019	77,950	51,716	33,000	3,300
2020-2024	85,000	32,982	0	0
2025-2028	85,000	10,372	0	0
Total	<u>\$ 325,116</u>	<u>\$ 165,330</u>	<u>\$ 79,000</u>	<u>\$ 18,500</u>

NOTE 5: RETIREMENT PLAN:

The City sponsors a simplified employee pension (SEP) plan for eligible employees. Employees become eligible to participate after three full years of employment. The City contributes \$100 per month for each eligible employee. Total contributions for the current fiscal year were \$8,550.

NOTE 6: PROPERTY TAX:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31.

At the fund level property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are then recognized as the taxes are collected.

NOTE 7: INTERFUND TRANSFERS:

During the fiscal year the governmental fund made the following transfers to the water and sewer fund:

For capital improvements from the CIP Fund	\$47,280
For operations	<u>26,952</u>
	<u>\$74,232</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

NOTE 8: CONDUIT DEBT:

Conduit debt obligations are certain limited-obligation debt instruments issued by a local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental entity, the issuer has no obligation for such debt beyond the resources provided by the loan with the third party on whose behalf they are issued.

In June 2009 the City's component unit, the Newark Cultural Educational Facilities Finance Corporation (NCEFFC), entered into a conduit loan agreement with Head Start of Greater Dallas, Inc. and Compass Bank. The agreement encompassed three loans totaling \$5,879,461. The City of Newark and its component unit NCEFFC have no obligation for the debt beyond the resources provided to NCEFFC by Head Start of Dallas, Inc. in the form of loan payments. Neither the faith and credit or taxing power of the City is pledged to the payment of the notes to Compass Bank. The current transactional structure of the agreement is that Head Start of Dallas, Inc. makes its loan payments directly to Compass Bank and NCEFFC does not handle any monetary transactions.

NOTE 9: SUBSEQUENT EVENTS:

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through February 18, 2010 (the date the City Council approved the financial statements). The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:			
TAXES:			
Property Taxes	\$ 212,950	\$ 213,378	\$ 428
Sales Taxes	71,500	65,102	(6,398)
Franchise Fees	50,000	47,381	(2,619)
TOTAL TAXES	<u>334,450</u>	<u>325,861</u>	<u>(8,589)</u>
INTERGOVERNMENTAL:			
Fire Department	0	69,360	69,360
Library County Funding	18,730	20,424	1,694
Library Grant	0	3,860	3,860
TOTAL INTERGOVERNMENTAL	<u>18,730</u>	<u>93,644</u>	<u>74,914</u>
CHARGES FOR SERVICES:			
Library Fees	0	649	649
Plat and Other Building Fees	0	3,200	3,200
Rental Fees	7,200	8,780	1,580
TOTAL CHARGES FOR SERVICES	<u>7,200</u>	<u>12,629</u>	<u>5,429</u>
FINES			
Animal Control	2,000	2,109	109
Police	55,000	52,225	(2,775)
TOTAL FINES	<u>57,000</u>	<u>54,334</u>	<u>(2,666)</u>
LICENSES AND PERMITS:			
Building Permits	4,000	2,916	(1,084)
TOTAL LICENSES AND PERMITS	<u>4,000</u>	<u>2,916</u>	<u>(1,084)</u>
DONATIONS:			
Christmas Fund	0	1,344	1,344
Police	0	1,275	1,275
Library	0	1,251	1,251
TOTAL DONATIONS	<u>0</u>	<u>3,870</u>	<u>3,870</u>
INTEREST INCOME	<u>100</u>	<u>2,779</u>	<u>2,679</u>
OTHER SOURCES:			
Insurance Proceeds and Refunds	6,300	24,369	18,069
Other Income	1,000	20,813	19,813
Gas Lease Income	25,000	17,747	(7,253)
Developer Reimbursements	0	10,000	10,000
TOTAL OTHER SOURCES	<u>32,300</u>	<u>72,929</u>	<u>40,629</u>
TOTAL RESOURCES AVAILABLE	<u>453,780</u>	<u>568,962</u>	<u>115,182</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:			
ADMINISTRATION:			
Salaries and Wages	38,349	40,750	(2,401)
Payroll Taxes	12,947	10,866	2,081
Retirement	1,200	1,400	(200)
Health Insurance	9,000	10,008	(1,008)
Contract Labor	0	1,852	(1,852)
Audit Services	5,500	7,925	(2,425)
Engineering Services	0	6,947	(6,947)
Legal Services	27,500	11,375	16,125
Website Services	1,500	1,960	(460)
Tax Collection Services	2,750	2,663	87
Building Inspection Fees	1,200	1,322	(122)
Building Maintenance	1,000	3,644	(2,644)
Computer Expense	2,000	3,255	(1,255)
Dues	830	587	243
Election	2,500	1,214	1,286
Insurance	13,000	12,155	845
Office Supply, Copier, Postage and Other Expenses	11,650	15,119	(3,469)
Public Notices	3,000	3,476	(476)
Telephone & Utilities	34,500	30,726	3,774
Prior Year Legal Fees Waived	0	(21,907)	21,907
Capital Outlay	0	16,983	(16,983)
Debt Service	28,412	27,818	594
TOTAL ADMINISTRATION	<u>196,838</u>	<u>190,138</u>	<u>6,700</u>
POLICE:			
Salaries and Wages - Police	43,960	31,024	12,936
Salaries and Wages - Court Clerk	32,126	31,427	699
Retirement	1,200	1,400	(200)
Contract Labor	0	300	(300)
Animal Control Services	9,000	9,429	(429)
Bailiff Services	600	550	50
Judge Services	3,000	3,000	0
State Comptroller Court Costs	18,333	19,636	(1,303)
Supplies and Minor Equipment	8,744	6,018	2,726
Telephone	1,260	898	362
Training	2,000	115	1,885
Vehicle Expenses	8,600	7,171	1,429
Debt Service	4,443	4,443	0
TOTAL POLICE	<u>133,266</u>	<u>115,411</u>	<u>17,855</u>
FIRE:			
Contract Services	0	69,360	(69,360)
Telephone and Utilities	6,970	6,703	267
TOTAL FIRE	<u>6,970</u>	<u>76,063</u>	<u>(69,093)</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS:			
Salaries and Wages	17,737	19,715	(1,978)
Retirement	1,200	3,200	(2,000)
Street Maintenance	28,000	24,779	3,221
Street Signs	600	436	164
Supplies and Equipment Repair	3,250	5,199	(1,949)
Truck Lease	5,098	5,575	(477)
Capital Outlay	0	5,605	(5,605)
TOTAL PUBLIC WORKS	<u>55,885</u>	<u>64,509</u>	<u>(8,624)</u>
LIBRARY:			
Salaries and Wages	12,000	14,511	(2,511)
Books and Supplies	3,500	10,333	(6,833)
Building Maintenance	2,500	3,051	(551)
Telephone and Utilities	10,875	8,938	1,937
Capital Outlay	0	5,569	(5,569)
TOTAL LIBRARY	<u>28,875</u>	<u>42,402</u>	<u>(13,527)</u>
OTHER USES :			
Transfer to Water and Sewer	<u>15,000</u>	<u>74,232</u>	<u>(59,232)</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>436,834</u>	<u>562,755</u>	<u>(125,921)</u>
ENDING BUDGETARY SURPLUS	\$ <u>16,946</u>	\$ <u>6,207</u>	\$ <u>(10,739)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEWARK, TX

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
TAXES:		
Property Taxes	\$ 213,378	\$ 209,504
Sales Taxes	65,102	72,027
Franchise Fees	47,381	46,847
TOTAL TAXES	<u>325,861</u>	<u>328,378</u>
INTERGOVERNMENTAL:		
Fire Department	69,360	59,900
Library County Funding	20,424	18,730
Library Grant	3,860	5,868
TOTAL INTERGOVERNMENTAL	<u>93,644</u>	<u>84,498</u>
CHARGES FOR SERVICES:		
Library Fees	649	303
Plat and Other Building Fees	3,200	3,150
Rental Fees	8,780	7,650
TOTAL CHARGES FOR SERVICES	<u>12,629</u>	<u>11,103</u>
FINES		
Animal Control	2,109	2,206
Police	52,225	52,632
TOTAL FINES	<u>54,334</u>	<u>54,838</u>
LICENSES AND PERMITS:		
Building Permits	2,916	3,712
TOTAL LICENSES AND PERMITS	<u>2,916</u>	<u>3,712</u>
DONATIONS:		
Christmas Fund	1,344	0
Police	1,275	2,760
Library	1,251	0
TOTAL DONATIONS	<u>3,870</u>	<u>2,760</u>
INTEREST INCOME	<u>2,779</u>	<u>1,705</u>
OTHER SOURCES:		
Insurance Proceeds and Refunds	24,369	15,229
Other Income	20,813	10,613
Gas Lease Income	17,747	25,813
Bond Proceeds	0	300,000
Developer Reimbursements	10,000	0
TOTAL OTHER SOURCES	<u>72,929</u>	<u>351,655</u>
TOTAL REVENUES	<u>568,962</u>	<u>838,649</u>

CITY OF NEWARK, TX

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
EXPENDITURES		
ADMINISTRATION:		
Salaries and Wages	40,750	38,839
Payroll Taxes	10,866	8,992
Retirement	1,400	1,100
Health Insurance	10,008	8,272
Contract Labor	1,852	1,656
Audit Services	7,925	7,575
Engineering Services/Other Consulting Services	6,947	2,700
Legal Services	11,375	23,884
Prior Year Legal Fees Waived	(21,907)	0
Website Services	1,960	360
Tax Collection Services	2,663	2,745
Building Inspection Fees	1,322	1,455
Building Maintenance	3,644	991
Computer Expense	3,255	2,190
Dues	587	587
Election	1,214	1,399
Insurance	12,155	12,923
Office Supply, Copier, Postage and Other Expenses	15,119	12,562
Public Notices	3,476	3,226
Telephone & Utilities	30,726	34,437
Capital Outlay	16,983	14,494
Debt Service	27,818	36,636
TOTAL ADMINISTRATION	<u>190,138</u>	<u>217,023</u>
POLICE:		
Salaries and Wages - Police	31,024	32,423
Salaries and Wages - Court Clerk	31,427	31,046
Retirement	1,400	1,100
Contract Labor	300	929
Animal Control Services	9,429	5,363
Bailiff Services	550	0
Judge Services	3,000	3,350
State Comptroller Court Costs	19,636	22,524
Supplies and Minor Equipment	6,018	6,530
Telephone	898	0
Training	115	1,689
Vehicle Expenses	7,171	6,254
Debt Service	4,443	900
TOTAL POLICE	<u>115,411</u>	<u>112,108</u>
FIRE:		
Contract Services	69,360	56,575
Telephone and Utilities	6,703	7,254
TOTAL FIRE	<u>76,063</u>	<u>63,829</u>

CITY OF NEWARK, TX

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
PUBLIC WORKS:		
Salaries and Wages	19,715	0
Retirement	3,200	0
Street Maintenance	24,779	17,503
Street Signs	436	0
Supplies and Equipment Repair	5,199	1,046
Truck Lease	5,575	4,696
Capital Outlay	5,605	0
TOTAL PUBLIC WORKS	<u>64,509</u>	<u>23,245</u>
LIBRARY:		
Salaries and Wages	14,511	31,559
Retirement	0	100
Books and Supplies	10,333	10,739
Building Maintenance	3,051	490
Telephone and Utilities	8,938	10,655
Capital Outlay	5,569	0
TOTAL LIBRARY	<u>42,402</u>	<u>53,543</u>
OTHER USES :		
Transfer to Water and Sewer	<u>74,232</u>	<u>112,661</u>
TOTAL EXPENDITURES	<u>562,755</u>	<u>582,409</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	6,207	256,240
FUND BALANCE - BEGINNING	<u>309,016</u>	<u>52,776</u>
FUND BALANCE - ENDING	<u>\$ 315,223</u>	<u>\$ 309,016</u>

CITY OF NEWARK, TX

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

For the Year Ended September 30, 2009

	2009	2008
OPERATING REVENUES		
Charges for Services		
Water	\$ 184,826	\$ 155,681
Sewer	90,882	91,801
Garbage	77,820	72,505
Total Charges for Services	<u>353,528</u>	<u>319,987</u>
Tap Fees	4,500	0
Late Charges	12,198	11,985
Miscellaneous	2,980	5,820
TOTAL OPERATING REVENUES	<u>373,206</u>	<u>337,792</u>
OPERATING EXPENSES		
Personnel Services		
Salaries & Wages	67,931	98,666
Health Insurance	9,509	8,272
Retirement	2,550	2,200
Payroll Taxes	5,281	7,822
Total Personnel Services	<u>85,271</u>	<u>116,960</u>
Professional Fees		
Audit Services	5,800	4,350
Engineering	20,329	0
Total Professional Fees	<u>26,129</u>	<u>4,350</u>
Supplies & Contract Services		
Bank Fees	1,412	1,189
Contract Labor	8,326	50
Electricity	47,612	62,926
Garbage Collection	66,950	73,361
Insurance	11,880	12,648
Lab Fees	14,013	16,643
Office Supplies	872	590
Other Expense	1,331	8,444
Permits & Inspections	1,572	1,514
Postage	1,208	1,607
Return Checks	1,826	2,548
Supplies	9,926	14,283
Telephone	4,294	0
Vehicle Expenses	8,281	12,016
Total Supplies & Contract Services	<u>179,503</u>	<u>207,819</u>

CITY OF NEWARK, TX

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

For the Year Ended September 30, 2009

	2009	2008
Repair & Maintenance		
Lift Station Expense	9,566	20,707
Pump Expense	6,183	2,900
Repairs & Maintenance -Equipment & Lines	3,450	3,899
Sewer System	12,854	21,640
Water System	1,245	5,395
Total Repairs & Maintenance	<u>33,298</u>	<u>54,541</u>
Depreciation	<u>66,679</u>	<u>72,705</u>
TOTAL OPERATING EXPENSES	<u>390,880</u>	<u>456,375</u>
OPERATING INCOME (LOSS)	<u>(17,674)</u>	<u>(118,583)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	2	4
Grant Income	0	490,800
Interest Expense	(3,896)	(2,075)
TCEQ Settlement	(21,812)	0
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(25,706)</u>	<u>488,729</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(43,380)</u>	<u>370,146</u>
TRANSFERS FROM GENERAL FUND	<u>74,232</u>	<u>109,219</u>
CHANGE IN NET ASSETS	30,852	479,365
NET ASSETS - BEGINNING	<u>1,621,951</u>	<u>1,142,586</u>
NET ASSETS - ENDING	<u>\$ 1,652,803</u>	<u>\$ 1,621,951</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
 September 30, 2009

Series 1979 General Obligation Bonds

SPLIT GEN / WFS

Original Amount	68,000
Bond Denomination	1,000
Interest Rate	5.00%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2010	\$ 1,223	\$ 3,000	\$ 4,223
2011	1,148	3,000	4,148
2012	998	3,000	3,998
2013	848	3,000	3,848
2014	698	3,000	3,698
2015	548	3,000	3,548
2016	398	4,000	4,398
2017	198	3,950	4,148
	\$ <u>6,055</u>	\$ <u>25,950</u>	\$ <u>32,005</u>

Series 2008 Certificates of Obligation

- PAID OUT OF GENERAL FUND

Original Amount	300,000
Bond Denomination	5,000
Interest Rate	4.50%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2010	\$ 13,910	\$ 10,000	\$ 23,910
2011	13,432	10,000	23,432
2012	12,954	11,000	23,954
2013	12,428	11,000	23,428
2014	11,902	12,000	23,902
2015	11,329	12,000	23,329
2016	10,755	13,000	23,755
2017	10,134	13,000	23,134
2018	9,512	14,000	23,512
2019	8,843	15,000	23,843
2020	8,126	15,000	23,126
2021	7,409	16,000	23,409
2022	6,644	17,000	23,644
2023	5,832	18,000	23,832
2024	4,971	19,000	23,971
2025	4,063	20,000	24,063
2026	3,107	21,000	24,107
2027	2,103	21,000	23,103
2028	1,099	23,000	24,099
	\$ <u>158,553</u>	\$ <u>291,000</u>	\$ <u>449,553</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2009

Capital Lease - Police Car

Original Principal	19,900
Current Interest Rate	5.82%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2010	\$ 475	\$ 3,967	\$ 4,442
2011	244	4,199	4,443
	<u>\$ 719</u>	<u>8,166</u>	<u>\$ 8,885</u>

TOTAL REQUIREMENTS

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2010	\$ 15,608	\$ 16,967	\$ 32,575
2011	14,824	17,199	32,023
2012	13,952	14,000	27,952
2013	13,276	14,000	27,276
2014	12,600	15,000	27,600
	<u>70,258</u>	<u>77,166</u>	<u>147,424</u>
2015	11,877	15,000	26,877
2016	11,153	17,000	28,153
2017	10,332	16,950	27,282
2018	9,512	14,000	23,512
2019	8,843	15,000	23,843
	<u>51,716</u>	<u>77,950</u>	<u>129,666</u>
2020	8,126	15,000	23,126
2021	7,409	16,000	23,409
2022	6,644	17,000	23,644
2023	5,832	18,000	23,832
2024	4,971	19,000	23,971
	<u>32,982</u>	<u>85,000</u>	<u>117,982</u>
2025	4,063	20,000	24,063
2026	3,107	21,000	24,107
2027	2,103	21,000	23,103
2028	1,099	23,000	24,099
	<u>10,372</u>	<u>85,000</u>	<u>95,372</u>
TOTAL ALL YEARS	<u>\$ 165,327</u>	<u>\$ 325,116</u>	<u>\$ 490,443</u>

CITY OF NEWARK, TX
SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
FUTURE DEBT REQUIREMENTS
September 30, 2009

Series 1979 Revenue Bonds	
Original Amount	207,000
Bond Denomination	1,000
Interest Rate	5.00%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2010	\$ 3,750	\$ 8,000	\$ 11,750
2011	3,550	9,000	12,550
2012	3,100	9,000	12,100
2013	2,650	10,000	12,650
2014	2,150	10,000	12,150
2015	1,650	11,000	12,650
2016	1,100	11,000	12,100
2017	550	11,000	11,550
	\$ <u>18,500</u>	\$ <u>79,000</u>	\$ <u>97,500</u>

TOTAL REQUIREMENTS		INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
YEAR				
2010	\$	3,750	\$ 8,000	\$ 11,750
2011		3,550	9,000	12,550
2012		3,100	9,000	12,100
2013		2,650	10,000	12,650
2014		2,150	10,000	12,150
		<u>15,200</u>	<u>46,000</u>	<u>61,200</u>
2015		1,650	11,000	12,650
2016		1,100	11,000	12,100
2017		550	11,000	11,550
		<u>3,300</u>	<u>33,000</u>	<u>36,300</u>
TOTAL ALL YEARS	\$	<u>18,500</u>	\$ <u>79,000</u>	\$ <u>97,500</u>

**CITY OF NEWARK, TX
GOVERNMENTAL AND PROPRIETARY FUNDS
SCHEDULE OF RESTRICTED ASSETS**

September 30, 2009

GENERAL FUND

Debt Service	\$	16,838
Unspent 2008 Certificate of Obligation Funds		223,310
Spirit of Christmas		1,345
TOTAL GENERAL FUND	\$	<u>241,493</u>

PROPRIETARY FUND

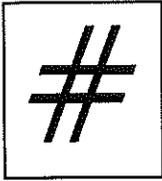
None

**CITY OF NEWARK, TX
SCHEDULE OF PROPERTY TAXES**

September 30, 2009

Tax Year	<table border="1"><tr><td style="text-align: center;">2008</td></tr></table>	2008
2008		
Assessed Value	\$ 39,328,093	
Tax Rate per \$100 of Assessed Value	<u>0.5270</u>	
Total Tax Levy	\$ <u>207,259</u>	
Collections During Fiscal Year	\$ <u>200,477</u>	
% of Current Taxes Collected	<u>96.73%</u>	

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent on February 1 of the following year.



William C. Spore, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENTAL AUDITING STANDARDS*

To the City Council
City of Newark, Texas

I have audited the financial statements of the governmental activities, the business-type activities and major funds of the City of Newark, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 21, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Newark' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A materiel weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or materiel weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be materiel weaknesses in internal control, as defined above.

Compliance

As part of obtaining reasonable assurance about whether City of Newark's financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

- 1) Water and sewer customer deposit funds should be placed in separate bank from the water and sewer operating funds. The use of these funds is restricted and the funds should not be commingled with operating funds or used for operations.

This report is intended for the information and use of management, Honorable Mayor and City Council of the City of Newark, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, P.C.

January 21, 2010