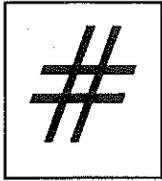


CITY OF NEWARK, TX
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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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, 2010, 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, 2010 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.
July 21, 2011

**CITY OF NEWARK, TX
CITY OFFICIALS**

September 30, 2010

MAYOR

Matt Newby

MAYOR PRO TEM

Laura Pixler

COUNCIL MEMBERS

Doug Anderson

Bandi Hicks

Chana Massey

Bob Wells

CITY SECRETARY

Diane Razor

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

September 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 143,761	\$ 30,385	\$ 174,146
Accounts Receivable (net)	38,924	44,769	83,693
TOTAL CURRENT ASSETS	182,685	75,154	257,839
NONCURRENT ASSETS			
Restricted Cash	138,324	0	138,324
Unamortized Bond Issue Costs	18,000	0	18,000
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	160,109	31,312	191,421
Equipment	211,075	117,475	328,550
Infrastructure	0	2,717,143	2,717,143
Less - Accumulated Depreciation	(261,577)	(1,105,189)	(1,366,766)
Total Capital Assets, Net of Accum. Depr.	171,156	1,765,141	1,936,297
TOTAL NONCURRENT ASSETS	327,480	1,765,141	2,092,621
TOTAL ASSETS	510,165	1,840,295	2,350,460
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	23,383	18,260	41,643
Accrued Expenses	7,878	3,302	11,180
Customer Deposits	0	31,777	31,777
Bonds Payable	13,000	9,000	22,000
Capital Lease Payable	4,198	0	4,198
TOTAL CURRENT LIABILITIES	48,459	62,339	110,798
NONCURRENT LIABILITIES			
Bonds Payable	290,950	62,000	352,950
TOTAL NONCURRENT LIABILITIES	290,950	62,000	352,950
TOTAL LIABILITIES	339,409	124,339	463,748
NET ASSETS			
Invested in Capital Assets, net of Related Debt	1,062	1,694,141	1,695,203
Restricted For:			
Debt Service	16,847	0	16,847
Spirit of Christmas	1,423	0	1,423
Unrestricted	151,424	21,815	173,239
TOTAL NET ASSETS	\$ 170,756	\$ 1,715,956	\$ 1,886,712

CITY OF NEWARK, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

FUNCTIONS/PROGRAMS	FINES, FEES & CHARGES FOR SERVICES				OPERATING GRANTS & DONATIONS		CAPITAL GRANTS & DONATIONS		BUSINESS-TYPE ACTIVITIES	TOTAL
	EXPENSES						GOVERNMENTAL ACTIVITIES			
GOVERNMENTAL ACTIVITIES:										
General Government	\$ (206,419)	\$ 45,841	\$ 0	\$ 0	\$ 0	\$ 0	(160,578)	\$ -	(160,578)	
Public Safety	(92,687)	53,352	249	0	0	0	(39,086)	-	(39,086)	
Public Works	(33,314)	0	0	0	0	0	(33,314)	-	(33,314)	
Culture & Recreation	(33,103)	1,324	20,502	0	0	0	(11,277)	-	(11,277)	
Interest on Long-Term Debt	(15,412)	0	0	0	0	0	(15,412)	-	(15,412)	
TOTAL GOVERNMENTAL ACTIVITIES	<u>(380,935)</u>	<u>100,517</u>	<u>20,751</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(259,667)</u>	<u>-</u>	<u>(259,667)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:										
Water & Sewer	(394,199)	356,855	0	0	0	0	-	(37,344)	(37,344)	(37,344)
TOTAL PRIMARY GOVERNMENT	<u>(775,134)</u>	<u>457,372</u>	<u>20,751</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(259,667)</u>	<u>(37,344)</u>	<u>(259,667)</u>	<u>(297,011)</u>
GENERAL REVENUE										
Property Taxes							216,520	-	216,520	
Sales Taxes							59,306	-	59,306	
Franchise Fees							42,790	-	42,790	
Interest Income							986	-	986	
Transfers							(100,497)	100,497	0	
TOTAL GENERAL REVENUE							<u>219,105</u>	<u>100,497</u>	<u>319,602</u>	
CHANGE IN NET ASSETS							(40,562)	63,153	22,591	
NET ASSETS - BEGINNING							211,318	1,652,803	1,864,121	
NET ASSETS - ENDING							<u>\$ 170,756</u>	<u>\$ 1,715,956</u>	<u>\$ 1,886,712</u>	

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

September 30, 2010

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 145,184	\$ 16,847	\$ 120,054	\$ 282,085
Receivables:				
Sales Taxes	5,708	0	0	5,708
Franchise Taxes	1,423	0	0	1,423
Property Taxes	26,926	4,867	0	31,793
TOTAL ASSETS	179,241	21,714	120,054	321,009
LIABILITIES				
Accounts Payable	5,096	0	0	5,096
Accrued Expenses	3,533	0	0	3,533
Deferred Taxes	26,926	4,867	0	31,793
TOTAL LIABILITIES	35,555	4,867	0	40,422
FUND BALANCES				
Restricted For:				
Debt Service	0	16,847	0	16,847
Capital Improvements	0	0	120,054	120,054
Spirit of Christmas	1,423	0	0	1,423
Unassigned	142,263	0	0	142,263
TOTAL FUND BALANCES	143,686	16,847	120,054	280,587
TOTAL LIABILITIES AND FUND BALANCES	\$ 179,241	\$ 21,714	\$ 120,054	\$ 321,009

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

Fund Balance - Governmental Funds \$ 280,587

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 171,156

Property Taxes receivable are not available to pay for current period
expenditures and therefore are deferred in the Fund Balance Sheet 31,793

Debt issue costs are current expenditures in the fund statement of
revenues & expenditures but are amortized in the statement of net assets. 18,000

Long term liabilities are not due and payable in the current period and
therefore are not reported in the Fund Balance Sheet (330,780)

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 170,756**

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

For the Year Ended September 30, 2010

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 185,981	\$ 30,426	\$ 0	\$ 216,407
Sales Taxes	59,306	0	0	59,306
Franchise Fees	42,790	0	0	42,790
Intergovernmental	20,423	0	0	20,423
Charges for Services	14,479	0	0	14,479
Fines	43,612	0	0	43,612
Licenses and Permits	6,425	0	0	6,425
Donations	328	0	0	328
Fire Department Insurance Reimburse.	9,740	0	0	9,740
Gas Lease Income	7,823	0	0	7,823
Other Revenues	18,438	0	0	18,438
Developer Reimbursements	0	0	0	0
Interest Income	43	9	934	986
TOTAL REVENUES	409,388	30,435	934	440,757
EXPENDITURES				
General Government	183,299	0	0	183,299
Public Safety	84,158	0	0	84,158
Public Works	33,314	0	0	33,314
Culture & Recreation	27,112	0	0	27,112
Capital Outlay	0	0	14,412	14,412
Debt Service:				
Principal	0	16,968	0	16,968
Interest	0	15,633	0	15,633
TOTAL EXPENDITURES	327,883	32,601	14,412	374,896
EXCESS REVENUES OVER (UNDER) EXPENDITURES	81,505	(2,166)	(13,478)	65,861
OTHER FINANCING SOURCES (USES)				
Transfers In	0	2,175	0	2,175
Transfers Out	(2,175)	0	0	(2,175)
Transfer to Water & Sewer Fund	(10,719)	0	(89,778)	(100,497)
TOTAL OTHER FINANCING SOURCES (USES)	(12,894)	2,175	(89,778)	(100,497)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	68,611	9	(103,256)	(34,636)
FUND BALANCE - BEGINNING	75,075	16,838	223,310	315,223
FUND BALANCE - ENDING	\$ 143,686	\$ 16,847	\$ 120,054	\$ 280,587

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, 2010

Net Change in Fund Balance - Governmental Funds	(34,636)
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	14,412
Depreciation expense on capital assets	(18,353)
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.	
	16,968
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	113
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)
Accounts Payable-Legal Fees	(18,287)
Accrued Interest	221
	<hr/>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(40,562)</u>

CITY OF NEWARK, TX
**STATEMENT OF NET ASSETS
 PROPRIETARY FUND**

September 30, 2010

**WATER & SEWER
 FUND**

ASSETS

CURRENT ASSETS

Cash	\$	30,385
Accounts Receivable (net)		44,769
TOTAL CURRENT ASSETS		75,154

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		117,475
Distribution & Collection Systems		2,717,143
Less - Accumulated Depreciation		(1,105,189)
Total Capital Assets, Net of Accum. Depr.		1,765,141

TOTAL ASSETS		1,840,295
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable		18,260
Accrued Expenses		3,302
Customer Deposits		31,777
Series 1979 Revenue Bonds - Current Portion		9,000
TOTAL CURRENT LIABILITIES		62,339

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds		62,000
TOTAL NONCURRENT LIABILITIES		62,000

TOTAL LIABILITIES		124,339
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NET ASSETS

Invested in Capital Assets, net of Related Debt		1,694,141
Unrestricted		21,815
TOTAL NET ASSETS	\$	1,715,956

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2010

	WATER & SEWER
OPERATING REVENUES	
Charges for Services	
Water	\$ 170,259
Sewer	91,758
Garbage	75,330
Total Charges for Services	<u>337,347</u>
Tap Fees	6,000
Late Charges	9,020
Miscellaneous	4,488
TOTAL OPERATING REVENUES	<u>356,855</u>
OPERATING EXPENSES	
Personnel Services	35,910
Supplies and Contract Services	197,482
Professional Fees	13,472
Repair & Maintenance	75,426
Depreciation	68,321
TOTAL OPERATING EXPENSES	<u>390,611</u>
OPERATING INCOME (LOSS)	<u>(33,756)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(3,588)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,588)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(37,344)</u>
TRANSFERS FROM GENERAL FUND	<u>100,497</u>
CHANGE IN NET ASSETS	63,153
NET ASSETS - BEGINNING	<u>1,652,803</u>
NET ASSETS - ENDING	<u>\$ 1,715,956</u>

2011

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 344,953
Cash Payments to Suppliers for Goods and Services	(309,873)
Cash Payments for Employees Services	(35,910)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(830)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from General Fund	<u>2,781</u>
-----------------------------	--------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Capital Assets	(97,716)
Transfers from General Fund	97,716
Principal Paid on Bonds	(8,000)
Interest Paid on Bonds	(3,750)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,750)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	<u>0</u>
-------------------------	----------

NET INCREASE IN CASH (9,799)

CASH - BEGINNING OF YEAR 40,184

CASH - END OF YEAR \$ 30,385

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

Operating Income (Loss)	\$ (33,756)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	68,321
(Increase) Decrease in Receivables	(12,910)
Increase (Decrease) in Accounts Payable	(5,788)
Increase (Decrease) in Accrued Expenses	(17,705)
Increase (Decrease) in Customer Deposits	1,008
TCEQ Settlement	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (830)</u></u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010 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, 2010

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.

F: BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

NOTE 2: 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 3: DEPOSITS:

At September 30, 2010 the carrying amount of the City's cash accounts was \$312,470, made up of petty cash of \$537 and \$311,933 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2010.

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, 2010 the City's bank balances (per bank) totaled \$336,531. All of the bank balances were covered by federal depository insurance. The City was not exposed to custodial credit risk at September 30, 2010.

(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 4: 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 5: 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	\$ 89,788
For operations	<u>10,719</u>
	<u>\$100,497</u>

NOTE 6: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2010 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Construction in Progress	5,605		5,605	0
Buildings & Improvements	140,092	20,017	0	160,109
Equipment	<u>211,075</u>		0	<u>211,075</u>
TOTAL AT HISTORICAL COST	<u>418,321</u>	<u>20,017</u>	<u>5,605</u>	<u>432,733</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	64,302	6,238		70,540
Equipment	<u>178,922</u>	<u>12,115</u>	0	<u>191,037</u>
TOTAL ACCUMULATED DEPRECIATION	<u>243,224</u>	<u>18,353</u>	<u>0</u>	<u>261,577</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 175,097</u>	<u>\$ 1,664</u>	<u>\$ 5,605</u>	<u>\$ 171,156</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$ 3,833
Police	8,529
Library & Community Center	<u>5,991</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 18,353</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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, 2010 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 2010 the water and sewer revenues were deficient by \$45,344 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	\$ 25,950	\$	0	\$	3,000	\$	22,950	\$	3,000
2008 Tax & Revenue Certificates Payable	291,000		0		10,000		281,000		10,000
Capital Lease Payable	8,166		0		3,968		4,198		4,198
TOTAL	\$ 325,116	\$	0	\$	16,968	\$	308,148	\$	17,198
BUSINESS-TYPE ACTIVITIES:									
1979 Revenue Bonds Payable	\$ 79,000	\$	0	\$	8,000	\$	71,000	\$	9,000
TOTAL	\$ 79,000	\$	0	\$	8,000	\$	71,000	\$	9,000

Future debt maturities are as follows:

Year	Governmental Type Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 17,198	\$ 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	15,000	11,877	11,000	1,650
2016-2020	77,950	47,966	22,000	1,650
2021-2025	90,000	28,919	0	0
2026-2028	65,000	6,309	0	0
Total	\$ 308,148	\$ 149,723	\$ 71,000	\$ 14,750

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 its lenders and in August 2010 NCEFFC entered into a conduit loan agreement with Covenant Christian Academy and its lenders. Neither the faith and credit or taxing power of the City is pledged to the payment of the notes held by Head Start of Greater Dallas, Inc. or Covenant Christian Academy's lenders. The current transactional structure of the agreement is that Head Start of Dallas, Inc. and Covenant Christian Academy makes their loan payments directly to their lenders and NCEFFC does not handle any monetary transactions.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

NOTE 10: SUBSEQUENT EVENTS:

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through July 21, 2011 (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, 2010

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:			
TAXES:			
Property Taxes	\$ 213,505	\$ 216,407	\$ 2,902
Sales Taxes	60,000	59,306	(694)
Franchise Fees	50,000	42,790	(7,210)
TOTAL TAXES	<u>323,505</u>	<u>318,503</u>	<u>(5,002)</u>
INTERGOVERNMENTAL:			
Library County Funding	20,424	20,423	(1)
Library Grant	1,000	0	(1,000)
TOTAL INTERGOVERNMENTAL	<u>21,424</u>	<u>20,423</u>	<u>(1,001)</u>
CHARGES FOR SERVICES:			
Library Fees	1,200	1,324	124
Plat and Other Building Fees	1,000	650	(350)
Rental Fees	8,300	12,505	4,205
TOTAL CHARGES FOR SERVICES	<u>10,500</u>	<u>14,479</u>	<u>3,979</u>
FINES			
Animal Control	2,000	0	(2,000)
Police	42,000	43,612	1,612
TOTAL FINES	<u>44,000</u>	<u>43,612</u>	<u>(388)</u>
LICENSES AND PERMITS:			
Building Permits	5,000	6,425	1,425
TOTAL LICENSES AND PERMITS	<u>5,000</u>	<u>6,425</u>	<u>1,425</u>
DONATIONS:			
Christmas Fund	0	79	79
Police	0	249	249
TOTAL DONATIONS	<u>0</u>	<u>328</u>	<u>328</u>
INTEREST INCOME	<u>2,000</u>	<u>986</u>	<u>(1,014)</u>
OTHER SOURCES:			
Fire Department Insurance Reimbursement	0	9,740	9,740
Other Income	7,000	18,438	11,438
Gas Lease Income	20,000	7,823	(12,177)
TOTAL OTHER SOURCES	<u>27,000</u>	<u>36,001</u>	<u>9,001</u>
TOTAL RESOURCES AVAILABLE	<u>433,429</u>	<u>440,757</u>	<u>7,328</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:			
ADMINISTRATION:			
Salaries and Wages	36,067	37,418	(1,351)
Payroll Taxes	15,202	12,280	2,922
Retirement	1,200	1,200	0
Health Insurance	9,000	11,460	(2,460)
Contract Labor	13,312	11,303	2,009
Audit Services	13,300	7,500	5,800
Engineering Services	0	1,325	(1,325)
Legal Services	16,000	30,726	(14,726)
Other Professional Fees	1,500	845	655
Website Services	0	1,600	(1,600)
Tax Collection Services	2,750	2,605	145
Building Inspection Fees	1,300	3,400	(2,100)
Building Maintenance	1,000	1,063	(63)
Computer Expense	1,500	3,356	(1,856)
Dues	650	722	(72)
Election	2,500	1,632	868
Insurance	13,000	11,588	1,412
Office Supply, Copier, Postage and Other Expenses	10,131	7,070	3,061
Public Notices	3,000	2,235	765
Telephone & Utilities	29,500	33,971	(4,471)
Debt Service	28,365	28,158	207
TOTAL ADMINISTRATION	<u>199,277</u>	<u>211,457</u>	<u>(12,180)</u>
POLICE:			
Salaries and Wages - Police	50,064	19,419	30,645
Salaries and Wages - Court Clerk	32,059	28,188	3,871
Retirement	1,200	1,200	0
Animal Control Services	5,500	1,825	3,675
Bailiff Services	600	50	550
Judge Services	3,000	1,750	1,250
State Comptroller Court Costs	15,000	14,458	542
Supplies and Minor Equipment	3,700	5,072	(1,372)
Telephone	600	753	(153)
Training	200	50	150
Vehicle Expenses	9,000	3,691	5,309
Debt Service	4,443	4,443	0
TOTAL POLICE	<u>125,366</u>	<u>80,899</u>	<u>44,467</u>
FIRE:			
Telephone and Utilities	6,970	7,702	(732)
TOTAL FIRE	<u>6,970</u>	<u>7,702</u>	<u>(732)</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS:			
Salaries and Wages	25,439	24,461	978
Retirement	1,200	1,400	(200)
Street Maintenance	34,500	3,342	31,158
Supplies and Equipment Repair	2,250	2,346	(96)
Utilities	0	555	(555)
Vehicle Expense	425	1,210	(785)
Capital Outlay	0	14,412	(14,412)
TOTAL PUBLIC WORKS	<u>63,814</u>	<u>47,726</u>	<u>16,088</u>
LIBRARY:			
Salaries and Wages	17,576	15,282	2,294
Books and Supplies	3,800	4,140	(340)
Building Maintenance	600	850	(250)
Telephone and Utilities	6,800	6,840	(40)
TOTAL LIBRARY	<u>28,776</u>	<u>27,112</u>	<u>1,664</u>
OTHER USES :			
Transfer to Water and Sewer	<u>0</u>	<u>100,497</u>	<u>(100,497)</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>424,203</u>	<u>475,393</u>	<u>(51,190)</u>
ENDING BUDGETARY SURPLUS	<u>\$ 9,226</u>	<u>\$ (34,636)</u>	<u>\$ (43,862)</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
TAXES:		
Property Taxes	\$ 216,407	\$ 213,378
Sales Taxes	59,306	65,102
Franchise Fees	42,790	47,381
TOTAL TAXES	<u>318,503</u>	<u>325,861</u>
INTERGOVERNMENTAL:		
Fire Department	0	69,360
Library County Funding	20,423	20,424
Library Grant	0	3,860
TOTAL INTERGOVERNMENTAL	<u>20,423</u>	<u>93,644</u>
CHARGES FOR SERVICES:		
Library Fees	1,324	649
Plat and Other Building Fees	650	3,200
Rental Fees	12,505	8,780
TOTAL CHARGES FOR SERVICES	<u>14,479</u>	<u>12,629</u>
FINES		
Animal Control	0	2,109
Police	43,612	52,225
TOTAL FINES	<u>43,612</u>	<u>54,334</u>
LICENSES AND PERMITS:		
Building Permits	6,425	2,916
TOTAL LICENSES AND PERMITS	<u>6,425</u>	<u>2,916</u>
DONATIONS:		
Christmas Fund	79	1,344
Police	249	1,275
Library	0	1,251
TOTAL DONATIONS	<u>328</u>	<u>3,870</u>
INTEREST INCOME	<u>986</u>	<u>2,779</u>
OTHER SOURCES:		
Fire Department Insurance Reimbursement	9,740	0
Insurance Proceeds and Refunds	0	24,369
Other Income	18,438	20,813
Gas Lease Income	7,823	17,747
Developer Reimbursements	0	10,000
TOTAL OTHER SOURCES	<u>36,001</u>	<u>72,929</u>
TOTAL REVENUES	<u>440,757</u>	<u>568,962</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2010 and 2009

EXPENDITURES	<u>2010</u>	<u>2009</u>
ADMINISTRATION:		
Salaries and Wages	37,418	40,750
Payroll Taxes	12,280	10,866
Retirement	1,200	1,400
Health Insurance	11,460	10,008
Contract Labor	11,303	1,852
Audit Services	7,500	7,925
Engineering Services/Other Consulting Services	2,170	6,947
Legal Services	30,726	11,375
Prior Year Legal Fees Waived	0	(21,907)
Website Services	1,600	1,960
Tax Collection Services	2,605	2,663
Building Inspection Fees	3,400	1,322
Building Maintenance	1,063	3,644
Computer Expense	3,356	3,255
Dues	722	587
Election	1,632	1,214
Insurance	11,588	12,155
Office Supply, Copier, Postage and Other Expenses	7,070	15,119
Public Notices	2,235	3,476
Telephone & Utilities	33,971	30,726
Capital Outlay	0	16,983
Debt Service	28,158	27,818
TOTAL ADMINISTRATION	<u>211,457</u>	<u>190,138</u>
POLICE:		
Salaries and Wages - Police	19,419	31,024
Salaries and Wages - Court Clerk	28,188	31,427
Retirement	1,200	1,400
Contract Labor	0	300
Animal Control Services	1,825	9,429
Bailiff Services	50	550
Judge Services	1,750	3,000
State Comptroller Court Costs	14,458	19,636
Supplies and Minor Equipment	5,072	6,018
Telephone	753	898
Training	50	115
Vehicle Expenses	3,691	7,171
Debt Service	4,443	4,443
TOTAL POLICE	<u>80,899</u>	<u>115,411</u>
FIRE:		
Contract Services	0	69,360
Telephone and Utilities	7,702	6,703
TOTAL FIRE	<u>7,702</u>	<u>76,063</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
PUBLIC WORKS:		
Salaries and Wages	24,461	19,715
Retirement	1,400	3,200
Street Maintenance	3,342	24,779
Street Signs	0	436
Supplies and Equipment Repair	2,346	5,199
Truck Lease	0	5,575
Utilities	555	0
Vehicle Expenses	1,210	0
Capital Outlay	14,412	5,605
TOTAL PUBLIC WORKS	<u>47,726</u>	<u>64,509</u>
LIBRARY:		
Salaries and Wages	15,282	14,511
Retirement	0	0
Books and Supplies	4,140	10,333
Building Maintenance	850	3,051
Telephone and Utilities	6,840	8,938
Capital Outlay	0	5,569
TOTAL LIBRARY	<u>27,112</u>	<u>42,402</u>
OTHER USES :		
Transfer to Water and Sewer	<u>100,497</u>	<u>74,232</u>
TOTAL EXPENDITURES	<u>475,393</u>	<u>562,755</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(34,636)	6,207
FUND BALANCE - BEGINNING	<u>315,223</u>	<u>309,016</u>
FUND BALANCE - ENDING	<u>\$ 280,587</u>	<u>\$ 315,223</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2010 & 2009

	2010	2009
OPERATING REVENUES		
Charges for Services		
Water	\$ 170,259	\$ 184,826
Sewer	91,758	90,882
Garbage	75,330	77,820
Total Charges for Services	<u>337,347</u>	<u>353,528</u>
Tap Fees	6,000	4,500
Late Charges	9,020	12,198
Miscellaneous	4,488	2,980
TOTAL OPERATING REVENUES	<u>356,855</u>	<u>373,206</u>
OPERATING EXPENSES		
Personnel Services		
Salaries & Wages	27,766	67,931
Health Insurance	5,920	9,509
Retirement	1,200	2,550
Payroll Taxes	1,024	5,281
Total Personnel Services	<u>35,910</u>	<u>85,271</u>
Professional Fees		
Audit Services	0	5,800
Engineering	13,472	20,329
Total Professional Fees	<u>13,472</u>	<u>26,129</u>
Supplies & Contract Services		
Bank Fees	2,702	1,412
Contract Labor	29,225	8,326
Electricity	48,500	47,612
Garbage Collection	68,809	66,950
Insurance	11,588	11,880
Lab Fees	17,367	14,013
Office Supplies	795	872
Other Expense	1,055	1,331
Permits & Inspections	3,319	1,572
Postage	1,934	1,208
Return Checks	1,382	1,826
Supplies	1,117	9,926
Telephone	3,796	4,294
Training	111	0
Vehicle Expenses	5,782	8,281
Total Supplies & Contract Services	<u>197,482</u>	<u>179,503</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2010 & 2009

	2010	2009
Repair & Maintenance		
Lift Station Expense	18,408	9,566
Pump Expense	0	6,183
Repairs & Maintenance -Equipment & Lines	9,690	3,450
Sewer System	21,763	12,854
Water System	25,565	1,245
Total Repairs & Maintenance	<u>75,426</u>	<u>33,298</u>
Depreciation	<u>68,321</u>	<u>66,679</u>
TOTAL OPERATING EXPENSES	<u>390,611</u>	<u>390,880</u>
OPERATING INCOME (LOSS)	<u>(33,756)</u>	<u>(17,674)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	0	2
Interest Expense	(3,588)	(3,896)
TCEQ Settlement	0	(21,812)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,588)</u>	<u>(25,706)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(37,344)</u>	<u>(43,380)</u>
TRANSFERS FROM GENERAL FUND	<u>100,497</u>	<u>74,232</u>
CHANGE IN NET ASSETS	63,153	30,852
NET ASSETS - BEGINNING	<u>1,652,803</u>	<u>1,621,951</u>
NET ASSETS - ENDING	<u>\$ 1,715,956</u>	<u>\$ 1,652,803</u>

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

September 30, 2010

Tax Year	2009	2008
Assessed Value	\$ 40,545,941	\$ 39,328,093
Tax Rate per \$100 of Assessed Value	<u>0.5226</u>	<u>0.5270</u>
Total Tax Levy	\$ <u>211,893</u>	\$ <u>207,259</u>
Collections During Fiscal Year	\$ <u>204,027</u>	\$ <u>200,477</u>
% of Current Taxes Collected	<u>96.29%</u>	<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.

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2010

Series 1979 General Obligation Bonds	
Original Amount	68,000
Bond Denomination	1,000
Interest Rate	5.00%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>4,836</u>	\$ <u>22,950</u>	\$ <u>27,786</u>

Series 2008 Certificates of Obligation	
Original Amount	300,000
Bond Denomination	5,000
Interest Rate	4.50%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>144,643</u>	\$ <u>281,000</u>	\$ <u>425,643</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2010

Capital Lease - Police Car

Original Principal	19,900
Current Interest Rate	5.82%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2011	\$ 244	\$ 4,198	\$ 4,442

TOTAL REQUIREMENTS

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2011	\$ 14,824	\$ 17,198	\$ 32,022
2012	13,952	14,000	27,952
2013	13,276	14,000	27,276
2014	12,600	15,000	27,600
2015	11,877	15,000	26,877
	66,529	75,198	141,727
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
2020	8,126	15,000	23,126
	47,966	77,950	125,916
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
	28,919	90,000	118,919
2026	3,107	21,000	24,107
2027	2,103	21,000	23,103
2028	1,099	23,000	24,099
	6,309	65,000	71,309
TOTAL ALL YEARS	\$ 149,723	\$ 308,148	\$ 457,871

CITY OF NEWARK, TX
 SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
 FUTURE DEBT REQUIREMENTS
 September 30, 2010

01-057040

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 14,750</u>	<u>\$ 71,000</u>	<u>\$ 85,750</u>

BERKADIA-01-057040-2

TOTAL REQUIREMENTS		INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
YEAR				
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
		13,100	49,000	62,100
2016		1,100	11,000	12,100
2017		550	11,000	11,550
		1,650	22,000	23,650
TOTAL ALL YEARS	\$	14,750	\$ 71,000	\$ 85,750

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

September 30, 2010

GENERAL FUND

Debt Service	\$	16,847
Unspent 2008 Certificate of Obligation Funds		120,054
Spirit of Christmas		1,423
TOTAL GENERAL FUND	\$	<u>138,324</u>

PROPRIETARY FUND

None