

CITY OF NEWARK, TX  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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**WILLIAM C SPORE, P.C.**  
**Certified Public Accountants**  
**200 N. Rufe Snow Drive, Ste 204**  
**Keller, TX 76248**  
**817-421-6619**

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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 fund of the City of Newark, Texas as of September 30, 2011, 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 of Newark, Texas, 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 of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and major fund of the City of Newark, Texas, as of September 30, 2011, and the respective changes in financial position of and cash flows, where applicable, of those activities and funds 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 19, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule for the general fund be presented to supplement the basic financial statements. Such information, although not part of the basic financial

statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the City's financial statements taken as a whole. 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 general purpose financial statement of the City of Newark, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*William C. Spore, P.C.*

Certified Public Accountants

January 19, 2012

**CITY OF NEWARK, TX  
CITY OFFICIALS**

**September 30, 2011**

**MAYOR**

**Matt Newby**

**MAYOR PRO TEM**

**Laura Pixler**

**COUNCIL MEMBERS**

**Doug Anderson**

**Chana Massey**

**Bob Wells**

**Vacant**

**CITY SECRETARY/CITY ADMINISTRATOR**

**Diane Rasor**

**Management's Discussion and Analysis**

**Pages 3-9 are not included in this draft copy**

CITY OF NEWARK, TX

GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS

September 30, 2011

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>CURRENT ASSETS</b>			
Cash	\$ 264,395	\$ 7,267	\$ 271,662
Accounts Receivable (net)	46,598	53,833	100,431
Prepaid Expenses	0	791	791
<b>TOTAL CURRENT ASSETS</b>	<u>310,993</u>	<u>61,891</u>	<u>372,884</u>
<b>NONCURRENT ASSETS</b>			
Restricted Cash	46,610	0	46,610
Unamortized Bond Issue Costs	17,000	0	17,000
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	212,012	31,312	243,324
Equipment	182,292	119,974	302,266
Infrastructure	8,804	2,794,357	2,803,161
Construction in Progress	0	75,377	75,377
Less - Accumulated Depreciation	(250,546)	(1,176,271)	(1,426,817)
Total Capital Assets, Net of Accum. Depr.	<u>214,111</u>	<u>1,849,149</u>	<u>2,063,260</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>277,721</u>	<u>1,849,149</u>	<u>2,126,870</u>
<b>TOTAL ASSETS</b>	<u>588,714</u>	<u>1,911,040</u>	<u>2,499,754</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	23,984	35,596	59,580
Accrued Expenses	6,200	3,834	10,034
Compensated Absences	652	1,356	2,008
Customer Deposits	0	35,476	35,476
Bonds Payable	14,000	9,000	23,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>44,836</u>	<u>85,262</u>	<u>130,098</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	276,950	53,000	329,950
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>276,950</u>	<u>53,000</u>	<u>329,950</u>
<b>TOTAL LIABILITIES</b>	<u>321,786</u>	<u>138,262</u>	<u>460,048</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	(32,738)	1,787,149	1,754,411
Restricted For:			
Debt Service	17,975	0	17,975
Spirit of Christmas	1,534	0	1,534
Unrestricted	280,157	(14,371)	265,786
<b>TOTAL NET ASSETS</b>	<u>\$ 266,928</u>	<u>\$ 1,772,778</u>	<u>\$ 2,039,706</u>

CITY OF NEWARK, TX

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ (175,352)	\$ 44,765	\$ 0	\$ 0	\$ (130,587)	\$ -	\$ (130,587)
Public Safety	(26,487)	15,286	2,500	0	(8,701)	-	(8,701)
Public Works	(18,072)	0	0	0	(18,072)	-	(18,072)
Culture & Recreation	(41,022)	406	29,486	19,520	8,390	-	8,390
Interest on Long-Term Debt	(14,482)	0	0	0	(14,482)	-	(14,482)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>(275,415)</u>	<u>60,457</u>	<u>31,986</u>	<u>19,520</u>	<u>(163,452)</u>	<u>-</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water & Sewer	(442,615)	369,116	0	37,150	-	(36,349)	(36,349)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ (718,030)</u>	<u>\$ 429,573</u>	<u>\$ 31,986</u>	<u>\$ 56,670</u>	<u>(163,452)</u>	<u>(36,349)</u>	<u>(199,801)</u>
<b>GENERAL REVENUE</b>							
Property Taxes					214,752	-	214,752
Sales Taxes					76,319	-	76,319
Franchise Fees					43,743	-	43,743
Sale of Assets					17,755	-	17,755
Interest Income					226	-	226
Transfers					(93,171)	93,171	0
<b>TOTAL GENERAL REVENUE</b>					<u>259,624</u>	<u>93,171</u>	<u>352,795</u>
<b>CHANGE IN NET ASSETS</b>					96,172	56,822	152,994
<b>NET ASSETS - BEGINNING</b>					170,756	1,715,956	1,886,712
<b>NET ASSETS - ENDING</b>					<u>\$ 266,928</u>	<u>\$ 1,772,778</u>	<u>\$ 2,039,706</u>

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

*September 30, 2011*

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash	\$ 265,929	\$ 17,975	\$ 27,101	\$ 311,005
Receivables:				
Sales Taxes	5,598	0	0	5,598
Franchise Taxes	2,975	0	0	2,975
Fire Department Reimbursement	6,088	0	0	6,088
Property Taxes	27,049	4,888	0	31,937
<b>TOTAL ASSETS</b>	<b>307,639</b>	<b>22,863</b>	<b>27,101</b>	<b>357,603</b>
<b>LIABILITIES</b>				
Accounts Payable	14,637	0	0	14,637
Accrued Expenses	2,152	0	0	2,152
Deferred Taxes	27,049	4,888	0	31,937
<b>TOTAL LIABILITIES</b>	<b>43,838</b>	<b>4,888</b>	<b>0</b>	<b>48,726</b>
<b>FUND BALANCES</b>				
Restricted For:				
Debt Service	0	17,975	0	17,975
Capital Improvements	0	0	27,101	27,101
Spirit of Christmas	1,534	0	0	1,534
Unassigned	262,267	0	0	262,267
<b>TOTAL FUND BALANCES</b>	<b>263,801</b>	<b>17,975</b>	<b>27,101</b>	<b>308,877</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 307,639</b>	<b>\$ 22,863</b>	<b>\$ 27,101</b>	<b>\$ 357,603</b>

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

Fund Balance - Governmental Funds	\$	308,877
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		214,111
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet		31,937
Debt issue costs are current expenditures in the fund statement of revenues & expenditures but are amortized in the statement of net assets.		17,000
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet		(304,997)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>266,928</b>

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

*For the Year Ended September 30, 2011*

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Property Taxes	\$ 181,503	\$ 33,105	\$ 0	\$ 214,608
Sales Taxes	76,319	0	0	76,319
Franchise Fees	43,743	0	0	43,743
Intergovernmental	49,006	0	0	49,006
Charges for Services	1,706	0	0	1,706
Fines	9,198	0	0	9,198
Licenses and Permits	7,459	0	0	7,459
Donations	2,500	0	0	2,500
Fire Department Insurance Reimburse.	6,088	0	0	6,088
Gas Lease Income	7,485	0	0	7,485
Other Revenues	28,521	0	0	28,521
Sale of City Property	21,950	0	0	21,950
Interest Income	8	0	218	226
<b>TOTAL REVENUES</b>	<b>435,486</b>	<b>33,105</b>	<b>218</b>	<b>468,809</b>
<b>EXPENDITURES</b>				
General Government	178,130	0	0	178,130
Public Safety	21,926	0	0	21,926
Culture & Recreation	34,121	0	0	34,121
Public Works	17,705	0	0	17,705
Capital Outlay	63,489	0	0	63,489
Debt Service:				
Principal	0	17,198	0	17,198
Interest	0	14,779	0	14,779
<b>TOTAL EXPENDITURES</b>	<b>315,371</b>	<b>31,977</b>	<b>0</b>	<b>347,348</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>120,115</b>	<b>1,128</b>	<b>218</b>	<b>121,461</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Water & Sewer Fund	0	0	(93,171)	(93,171)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>(93,171)</b>	<b>(93,171)</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>120,115</b>	<b>1,128</b>	<b>(92,953)</b>	<b>28,290</b>
<b>FUND BALANCE - BEGINNING</b>	<b>143,686</b>	<b>16,847</b>	<b>120,054</b>	<b>280,587</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 263,801</b>	<b>\$ 17,975</b>	<b>\$ 27,101</b>	<b>\$ 308,877</b>

**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, 2011**

Net Change in Fund Balance - Governmental Funds	28,290
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	63,489
Depreciation expense on capital assets	(16,339)
Cost of Assets Sold	(4,195)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	17,198
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	144
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	8,940
Accrued Compensated Absences	(652)
Accrued Interest	297
<hr/>	<hr/>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>96,172</u></b>

CITY OF NEWARK, TX

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND

September 30, 2011

WATER & SEWER  
 FUND

ASSETS

CURRENT ASSETS

Cash	\$	7,267
Accounts Receivable (net)		40,833
Grants Receivable		13,000
Prepaid Expenses		791
<b>TOTAL CURRENT ASSETS</b>		<u>61,891</u>

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		119,974
Distribution & Collection Systems		2,794,357
Construction in Progress		75,377
Less - Accumulated Depreciation		<u>(1,176,271)</u>
Total Capital Assets, Net of Accum. Depr.		<u>1,849,149</u>

TOTAL ASSETS

1,911,040

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		35,596
Accrued Expenses		5,190
Customer Deposits		35,476
Series 1979 Revenue Bonds - Current Portion		9,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>85,262</u>

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds		<u>53,000</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>53,000</u>

TOTAL LIABILITIES

138,262

NET ASSETS

Invested in Capital Assets, net of Related Debt		1,787,149
Unrestricted		<u>(14,371)</u>
<b>TOTAL NET ASSETS</b>	\$	<u>1,772,778</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2011

	WATER & SEWER
<b>OPERATING REVENUES</b>	
Charges for Services	
Water	\$ 183,985
Sewer	84,337
Garbage	73,929
Total Charges for Services	<u>342,251</u>
Tap Fees	15,000
Late Charges	10,205
Miscellaneous	1,660
<b>TOTAL OPERATING REVENUES</b>	<u>369,116</u>
<b>OPERATING EXPENSES</b>	
Personnel Services	103,038
Supplies and Contract Services	183,860
Professional Fees	7,488
Repair & Maintenance	73,712
Depreciation	71,082
<b>TOTAL OPERATING EXPENSES</b>	<u>439,180</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(70,064)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Capital Grants	37,150
Interest Expense	(3,435)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>33,715</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(36,349)</u>
<b>TRANSFERS FROM GENERAL FUND</b>	<u>93,171</u>
<b>CHANGE IN NET ASSETS</b>	56,822
<b>NET ASSETS - BEGINNING</b>	<u>1,715,956</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,772,778</u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$	376,751
Cash Payments to Suppliers for Goods and Services		(258,274)
Cash Payments for Employees Services		(100,466)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<u>18,011</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers from General Fund		<u>0</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of Capital Assets		(146,125)
Transfers from General Fund		93,171
Capital Grants		24,150
Principal Paid on Bonds		(9,000)
Interest Paid on Bonds		(3,325)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<u>(41,129)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Investments		<u>0</u>
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**NET INCREASE IN CASH** (23,118)

**CASH - BEGINNING OF YEAR** 30,385

**CASH - END OF YEAR** \$ 7,267

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

Operating Income (Loss)	\$	(70,064)
<b>Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation		71,082
(Increase) Decrease in Receivables		3,936
(Increase) Decrease in Prepaid Expenses		(791)
Increase (Decrease) in Accounts Payable		8,371
Increase (Decrease) in Accrued Expenses		1,778
Increase (Decrease) in Customer Deposits		3,699
TCEQ Settlement		0
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$	<u><u>18,011</u></u>

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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, parks, 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, 2011

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, 2011**

**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, 2011**

**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.

**5. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles to local governments in the United States of America requires management and those charged with governance to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**6: New Accounting Principles:**

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. No new statements required adoption for the year ended September 30, 2011. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Copper Canyon and its components units.

- Statement No. 59, *Financial Instruments Omnibus*
- Statement No. 60, *Accounting and Reporting for Service Concession Arrangements*
- Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre--November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 64, *Derivative Investments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*

New pronouncements not yet in effect as of September 30, 2011, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2012 as required.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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	25 - 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.

**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.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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.

**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. Capitalized Interest:**

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

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**10. 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.

**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 \$3,000.

**NOTE 3: DEPOSITS:**

At September 30, 2011 the carrying amount of the City's cash accounts was \$318,272, made up of petty cash of \$180 and \$318,092 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2011.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

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, 2011 the City's bank balances (per bank) totaled \$331,629. All of the bank balances were covered by federal depository insurance. The City was not exposed to custodial credit risk at September 30, 2011.

(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, 2011**

**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	\$ 93,171
For operations	<u>0</u>
	\$ <u>93,171</u>

**NOTE 6: CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended September 30, 2011 is as follows:

<b>CAPITAL ASSETS GOVERNMENTAL ACTIVITIES</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Buildings & Improvements	160,109	51,903	0	212,012
Equipment	211,075	2,782	31,565	182,292
Infrastructure	0	8,804	0	8,804
<b>TOTAL AT HISTORICAL COST</b>	<u>432,733</u>	<u>63,489</u>	<u>31,565</u>	<u>464,657</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	70,540	7,221	0	77,761
Equipment	191,037	8,751	27,370	172,418
Infrastructure	0	367	0	367
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>261,577</u>	<u>16,339</u>	<u>27,370</u>	<u>250,546</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	\$ <u>171,156</u>	\$ <u>47,150</u>	\$ <u>4,195</u>	\$ <u>214,111</u>

**DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:**

Administration	\$ 4,510
Police	4,561
Library	6,901
Public Works	367
<b>TOTAL DEPRECIATION EXPENSE</b>	\$ <u>16,339</u>



**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

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, 2011 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.

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

	<b>BEGINNING BALANCE</b>	<b>DEBT ISSUED</b>	<b>REPAYMENTS</b>	<b>ENDING BALANCE</b>	<b>CURRENT PORTION</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
1979 General Obligation Bonds Payable	\$ 22,950	\$ 0	\$ 3,000	\$ 19,950	\$ 3,000
2008 Tax & Revenue Certificates Payable	281,000	0	10,000	271,000	11,000
Capital Lease Payable	4,198	0	4,198	0	0
<b>TOTAL</b>	<b>\$ 308,148</b>	<b>\$ 0</b>	<b>\$ 17,198</b>	<b>\$ 290,950</b>	<b>\$ 14,000</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
1979 Revenue Bonds Payable	\$ 71,000	\$ 0	\$ 9,000	\$ 62,000	\$ 9,000
<b>TOTAL</b>	<b>\$ 71,000</b>	<b>\$ 0</b>	<b>\$ 9,000</b>	<b>\$ 62,000</b>	<b>\$ 9,000</b>

Future debt maturities are as follows:

<b>Year</b>	<b>Governmental Type Activities</b>		<b>Business Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	17,000	11,153	11,000	1,100
2017-2021	76,950	44,222	11,000	550
2022-2026	95,000	24,617	0	0
2007-2008	44,000	3,202	0	0
<b>Total</b>	<b>\$ 290,950</b>	<b>\$ 134,899</b>	<b>\$ 62,000</b>	<b>\$ 11,200</b>

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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.

The City's component unit, the Newark Cultural Educational Facilities Finance Corporation (NCEFFC), has entered into three conduit loan agreements with three different entities and their lenders. Neither the faith and credit or taxing power of the City is pledged to the payment of the notes held by these entity's lenders. The current transactional structure of the agreements is that the entities 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 January 19, 2012 (the date that the City Council approved the financial statements). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events which would require additional disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>RESOURCES:</b>			
<b>TAXES:</b>			
Property Taxes	\$ 219,300	\$ 214,608	\$ (4,692)
Sales Taxes	65,000	76,319	11,319
Franchise Fees	42,000	43,743	1,743
<b>TOTAL TAXES</b>	<u>326,300</u>	<u>334,670</u>	<u>8,370</u>
<b>INTERGOVERNMENTAL:</b>			
Library County Funding	20,424	24,424	4,000
SECO Energy Grant	0	19,520	19,520
Library Grant	4,748	5,062	314
<b>TOTAL INTERGOVERNMENTAL</b>	<u>25,172</u>	<u>49,006</u>	<u>23,834</u>
<b>CHARGES FOR SERVICES:</b>			
Library Fees	1,200	406	(794)
Plat and Other Building Fees	500	1,300	800
<b>TOTAL CHARGES FOR SERVICES</b>	<u>1,700</u>	<u>1,706</u>	<u>6</u>
<b>FINES</b>			
Animal Control	0	768	768
Police	40,000	8,430	(31,570)
<b>TOTAL FINES</b>	<u>40,000</u>	<u>9,198</u>	<u>(30,802)</u>
<b>LICENSES AND PERMITS:</b>			
Building Permits	5,000	7,459	2,459
<b>TOTAL LICENSES AND PERMITS</b>	<u>5,000</u>	<u>7,459</u>	<u>2,459</u>
<b>DONATIONS:</b>			
Police	0	2,500	2,500
<b>TOTAL DONATIONS</b>	<u>0</u>	<u>2,500</u>	<u>2,500</u>
<b>INTEREST INCOME</b>	<u>100</u>	<u>226</u>	<u>126</u>
<b>OTHER SOURCES:</b>			
Fire Department Insurance Reimbursement	0	6,088	6,088
Other Income	10,500	28,521	18,021
Sale of City Property	14,500	21,950	7,450
Gas Lease Income	7,200	7,485	285
<b>TOTAL OTHER SOURCES</b>	<u>32,200</u>	<u>64,044</u>	<u>31,844</u>
<b>TOTAL RESOURCES AVAILABLE</b>	<u>430,472</u>	<u>468,809</u>	<u>38,337</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>CHARGES TO APPROPRIATIONS:</b>			
<b>ADMINISTRATION:</b>			
Salaries and Wages	44,000	46,843	(2,843)
Payroll Taxes	9,000	3,894	5,106
Retirement	1,200	600	600
Health Insurance	6,000	6,367	(367)
Audit Services	11,500	7,500	4,000
Engineering Services	11,575	0	11,575
Legal Services	28,000	39,443	(11,443)
Other Professional Fees	500	0	500
Tax Collection Services	2,400	2,602	(202)
Building Inspection Fees	3,200	3,622	(422)
Building Maintenance	700	3,094	(2,394)
Computer Expense	11,500	4,025	7,475
Dues	600	587	13
Election	1,850	2,449	(599)
Insurance	22,500	9,928	12,572
Office Supply, Copier, Postage and Other Expenses	8,500	7,559	941
Public Notices	2,700	7,716	(5,016)
Telephone & Utilities	38,000	31,901	6,099
Debt Service	27,580	27,506	74
Capital Outlay	0	54,685	(54,685)
<b>TOTAL ADMINISTRATION</b>	<u>231,305</u>	<u>260,321</u>	<u>(29,016)</u>
<b>POLICE:</b>			
Salaries and Wages - Police	50,000	3,222	46,778
Payroll Taxes	0	333	(333)
Animal Control Services	1,400	1,450	(50)
Judge & Bailiff Services	2,300	3,469	(1,169)
Code Enforcement	0	1,278	(1,278)
State Comptroller Court Costs	22,000	4,521	17,479
Supplies and Minor Equipment	6,950	1,189	5,761
Telephone	900	0	900
Training	100	50	50
Vehicle Expenses	4,000	831	3,169
Debt Service	4,443	4,471	(28)
<b>TOTAL POLICE</b>	<u>92,093</u>	<u>20,814</u>	<u>71,279</u>
<b>FIRE:</b>			
Telephone and Utilities	5,900	5,583	317
<b>TOTAL FIRE</b>	<u>5,900</u>	<u>5,583</u>	<u>317</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>PUBLIC WORKS:</b>			
Contract Labor	12,480	616	11,864
Parks	500	0	500
Street Maintenance	14,000	13,889	111
Supplies and Equipment Repair	0	3,200	(3,200)
Capital Outlay	0	8,804	(8,804)
<b>TOTAL PUBLIC WORKS</b>	<u>26,980</u>	<u>26,509</u>	<u>471</u>
<b>LIBRARY:</b>			
Salaries and Wages	17,000	16,759	241
Payroll Taxes	0	1,447	(1,447)
Books, DVD's and Subscriptions	4,853	2,856	1,997
Supplies	2,680	5,085	(2,405)
Building Maintenance	1,000	468	532
Telephone and Utilities	7,060	6,641	419
Travel	300	865	(565)
<b>TOTAL LIBRARY</b>	<u>32,893</u>	<u>34,121</u>	<u>(1,228)</u>
<b>OTHER USES:</b>			
Transfer to Water & Sewer	<u>0</u>	<u>93,171</u>	<u>(93,171)</u>
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u>389,171</u>	<u>440,519</u>	<u>(51,348)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	41,301	28,290	\$ <u>(13,011)</u>
<b>BEGINNING BUDGETARY SURPLUS</b>	<u>280,587</u>	<u>280,587</u>	
<b>ENDING BUDGETARY SURPLUS</b>	\$ <u>321,888</u>	\$ <u>308,877</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, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>			
<b>TAXES:</b>			
Property Taxes	\$ 214,608	\$ 216,407	\$ 213,378
Sales Taxes	76,319	59,306	65,102
Franchise Fees	43,743	42,790	47,381
<b>TOTAL TAXES</b>	<u>334,670</u>	<u>318,503</u>	<u>325,861</u>
<b>INTERGOVERNMENTAL:</b>			
Fire Department	0	0	69,360
Library County Funding	24,424	20,423	20,424
Seco Energy Grant	19,520	0	0
Library Grant	5,062	0	3,860
<b>TOTAL INTERGOVERNMENTAL</b>	<u>49,006</u>	<u>20,423</u>	<u>93,644</u>
<b>CHARGES FOR SERVICES:</b>			
Library Fees	406	1,324	649
Plat and Other Building Fees	1,300	650	3,200
Rental Fees	0	12,505	8,780
<b>TOTAL CHARGES FOR SERVICES</b>	<u>1,706</u>	<u>14,479</u>	<u>12,629</u>
<b>FINES</b>			
Animal Control	768	0	2,109
Police	8,430	43,612	52,225
<b>TOTAL FINES</b>	<u>9,198</u>	<u>43,612</u>	<u>54,334</u>
<b>LICENSES AND PERMITS:</b>			
Building Permits	7,459	6,425	2,916
<b>TOTAL LICENSES AND PERMITS</b>	<u>7,459</u>	<u>6,425</u>	<u>2,916</u>
<b>DONATIONS:</b>			
Christmas Fund	0	79	1,344
Police	2,500	249	1,275
Library	0	0	1,251
<b>TOTAL DONATIONS</b>	<u>2,500</u>	<u>328</u>	<u>3,870</u>
<b>INTEREST INCOME</b>	<u>226</u>	<u>986</u>	<u>2,779</u>
<b>OTHER SOURCES:</b>			
Fire Department Insurance Reimbursement	6,088	9,740	0
Insurance Proceeds and Refunds	0	0	24,369
Other Income	28,521	18,438	20,813
Sale of City Property	21,950	0	0
Gas Lease Income	7,485	7,823	17,747
Developer Reimbursements	0	0	10,000
<b>TOTAL OTHER SOURCES</b>	<u>64,044</u>	<u>36,001</u>	<u>72,929</u>
<b>TOTAL REVENUES</b>	<u>468,809</u>	<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, 2011, 2010 and 2009

<b>EXPENDITURES</b>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>ADMINISTRATION:</b>			
Salaries and Wages	46,843	37,418	40,750
Payroll Taxes	3,894	12,280	10,866
Retirement	600	1,200	1,400
Health Insurance	6,367	11,460	10,008
Contract Labor	0	11,303	1,852
Audit Services	7,500	7,500	7,925
Engineering Services/Other Consulting Services	0	2,170	6,947
Legal Services	39,443	30,726	11,375
Prior Year Legal Fees Waived	0	0	(21,907)
Tax Collection Services	2,602	2,605	2,663
Building Inspection Fees	3,622	3,400	1,322
Building Maintenance	3,094	1,063	3,644
Computer Expense	4,025	4,956	5,215
Dues	587	722	587
Election	2,449	1,632	1,214
Insurance	9,928	11,588	12,155
Office Supply, Copier, Postage and Other Expenses	7,559	7,070	15,119
Public Notices	7,716	2,235	3,476
Telephone & Utilities	31,901	33,971	30,726
Capital Outlay	54,685	0	16,983
Debt Service	27,506	28,158	27,818
<b>TOTAL ADMINISTRATION</b>	<u>260,321</u>	<u>211,457</u>	<u>190,138</u>
<b>POLICE:</b>			
Salaries and Wages - Police	3,222	19,419	31,024
Salaries and Wages - Court Clerk	0	28,188	31,427
Retirement	0	1,200	1,400
Payroll Taxes	333	0	0
Contract Labor	0	0	300
Animal Control Services	1,450	1,825	9,429
Judge & Bailiff Services	3,469	1,800	3,550
Code Enforcement	1,278	0	0
State Comptroller Court Costs	4,521	14,458	19,636
Supplies and Minor Equipment	1,189	5,072	6,018
Telephone	0	753	898
Training	50	50	115
Vehicle Expenses	831	3,691	7,171
Debt Service	4,471	4,443	4,443
<b>TOTAL POLICE</b>	<u>20,814</u>	<u>80,899</u>	<u>115,411</u>
<b>FIRE:</b>			
Contract Services	0	0	69,360
Telephone and Utilities	5,583	7,702	6,703
<b>TOTAL FIRE</b>	<u>5,583</u>	<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, 2011, 2010 and 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>PUBLIC WORKS:</b>			
Salaries and Wages	0	24,461	19,715
Retirement	0	1,400	3,200
Contract Labor	616	0	0
Street Maintenance	13,889	3,342	24,779
Street Signs	0	0	436
Supplies and Equipment Repair	3,200	2,346	5,199
Truck Lease	0	0	5,575
Utilities	0	555	0
Vehicle Expenses	0	1,210	0
Capital Outlay	8,804	14,412	5,605
<b>TOTAL PUBLIC WORKS</b>	<u>26,509</u>	<u>47,726</u>	<u>64,509</u>
<b>LIBRARY:</b>			
Salaries and Wages	16,759	15,282	14,511
Payroll Taxes	1,447	0	0
Books and Supplies	7,941	4,140	10,333
Building Maintenance	468	850	3,051
Telephone and Utilities	6,641	6,840	8,938
Travel	865	0	0
Capital Outlay	0	0	5,569
<b>TOTAL LIBRARY</b>	<u>34,121</u>	<u>27,112</u>	<u>42,402</u>
<b>OTHER USES :</b>			
Transfer to Water and Sewer	<u>93,171</u>	<u>100,497</u>	<u>74,232</u>
<b>TOTAL EXPENDITURES</b>	<u>440,519</u>	<u>475,393</u>	<u>562,755</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	28,290	(34,636)	6,207
<b>FUND BALANCE - BEGINNING</b>	<u>280,587</u>	<u>315,223</u>	<u>309,016</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>308,877</u>	\$ <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, 2011, 2010 & 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>			
<b>Charges for Services</b>			
Water	\$ 183,985	\$ 170,259	\$ 184,826
Sewer	84,337	91,758	90,882
Garbage	73,929	75,330	77,820
<b>Total Charges for Services</b>	<u>342,251</u>	<u>337,347</u>	<u>353,528</u>
Tap Fees	15,000	6,000	4,500
Late Charges	10,205	9,020	12,198
Miscellaneous	1,660	4,488	2,980
<b>TOTAL OPERATING REVENUES</b>	<u>369,116</u>	<u>356,855</u>	<u>373,206</u>
<b>OPERATING EXPENSES</b>			
<b>Personnel Services</b>			
Salaries & Wages	77,803	27,766	67,931
Health Insurance	16,616	5,920	9,509
Retirement	2,400	1,200	2,550
Payroll Taxes	6,219	1,024	5,281
<b>Total Personnel Services</b>	<u>103,038</u>	<u>35,910</u>	<u>85,271</u>
<b>Professional Fees</b>			
Audit Services	0	0	5,800
Engineering	7,488	13,472	20,329
<b>Total Professional Fees</b>	<u>7,488</u>	<u>13,472</u>	<u>26,129</u>
<b>Supplies &amp; Contract Services</b>			
Bank Fees	0	2,702	1,412
Contract Labor	12,011	29,225	8,326
Electricity	50,670	48,500	47,612
Garbage Collection	66,989	68,809	66,950
Insurance	8,928	11,588	11,880
Lab Fees	14,031	17,367	14,013
Office Supplies	843	795	872
Other Expense	299	1,055	1,331
Permits & Inspections	2,046	3,319	1,572
Postage	1,951	1,934	1,208
Return Checks	1,151	1,382	1,826
Supplies	2,752	1,117	9,926
Telephone	9,662	3,796	4,294
Training	1,259	111	0
Vehicle Expenses	11,268	5,782	8,281
<b>Total Supplies &amp; Contract Services</b>	<u>183,860</u>	<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, 2011, 2010 & 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Repair &amp; Maintenance</b>			
Lift Station Expense	4,203	18,408	9,566
Repairs & Maintenance - Supplies & Equipment	15,402	9,690	9,633
Sewer System	27,150	21,763	12,854
Water System	26,957	25,565	1,245
<b>Total Repairs &amp; Maintenance</b>	<u>73,712</u>	<u>75,426</u>	<u>33,298</u>
<b>Depreciation</b>	<u>71,082</u>	<u>68,321</u>	<u>66,679</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>439,180</u>	<u>390,611</u>	<u>390,880</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(70,064)</u>	<u>(33,756)</u>	<u>(17,674)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Expense	(3,435)	(3,588)	(3,894)
Capital Grants	37,150	0	0
TCEQ Settlement	0	0	(21,812)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>33,715</u>	<u>(3,588)</u>	<u>(25,706)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(36,349)</u>	<u>(37,344)</u>	<u>(43,380)</u>
<b>TRANSFERS FROM GENERAL FUND</b>	<u>93,171</u>	<u>100,497</u>	<u>74,232</u>
<b>CHANGE IN NET ASSETS</b>	56,822	63,153	30,852
<b>NET ASSETS - BEGINNING</b>	<u>1,715,956</u>	<u>1,652,803</u>	<u>1,621,951</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,772,778</u>	<u>\$ 1,715,956</u>	<u>\$ 1,652,803</u>

**CITY OF NEWARK, TX**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2011

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>3,688</u>	\$ <u>19,950</u>	\$ <u>23,638</u>

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>131,211</u>	\$ <u>271,000</u>	\$ <u>402,211</u>

**CITY OF NEWARK, TX**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2011

TOTAL REQUIREMENTS				TOTAL
YEAR	INTEREST	PRINCIPAL	REQUIREMENTS	REQUIREMENTS
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	
2016	11,153	17,000	28,153	
	62,858	75,000	137,858	
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	
2021	7,409	16,000	23,409	
	44,222	76,950	121,172	
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	
	24,617	95,000	119,617	
2027	2,103	21,000	23,103	
2028	1,099	23,000	24,099	
	3,202	44,000	47,202	
<b>TOTAL ALL YEARS</b>	\$ <b>134,899</b>	\$ <b>290,950</b>	\$ <b>425,849</b>	

**CITY OF NEWARK, TX**  
**SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2011

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>11,200</u>	\$ <u>62,000</u>	\$ <u>73,200</u>

<b>TOTAL REQUIREMENTS</b>		INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
YEAR				
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
		<u>10,650</u>	<u>51,000</u>	<u>61,650</u>
2017		550	11,000	11,550
		<u>550</u>	<u>11,000</u>	<u>11,550</u>
<b>TOTAL ALL YEARS</b>	\$	<u>11,200</u>	\$ <u>62,000</u>	\$ <u>73,200</u>

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

**September 30, 2011**

**GENERAL FUND**

Debt Service	\$	17,975
Unspent 2008 Certificate of Obligation Funds		27,101
Spirit of Christmas		1,534
<b>TOTAL GENERAL FUND</b>	<b>\$</b>	<b><u>46,610</u></b>

**PROPRIETARY FUND**

None

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

September 30, 2011

Tax Year	2010	2009	2008
Assessed Value	\$ 40,228,609	\$ 40,545,941	\$ 39,328,093
Tax Rate per \$100 of Assessed Value	<u>0.5226</u>	<u>0.5226</u>	<u>0.5270</u>
Total Tax Levy	\$ <u>210,235</u>	\$ <u>211,893</u>	\$ <u>207,259</u>
Collections During Fiscal Year	\$ <u>201,416</u>	\$ <u>204,027</u>	\$ <u>200,477</u>
% of Current Taxes Collected	<u>95.81%</u>	<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.**

**WILLIAM C. SPORE, P.C.**  
**Certified Public Accountants**  
**200 N. Rufe Snow Drive, Ste 204, Keller, TX 76248**  
**817-421-6619**

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

To the City Council  
City of Newark, Texas

I have audited the financial statements of the governmental activities and major fund of the City of Newark as of and for the year ended September 30, 2011, which collectively comprise the City of Newark's basic financial statements and have issued my report thereon dated January 19, 2012. 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's internal control over financial reporting 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 City of Newark's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Newark's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*William C. Spore, P.C.*

January 19, 2012