

CITY OF NEWARK, TX
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT	1
CITY OFFICIALS	2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	TO BE PROVIDED 3-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Statement of Net Assets - Proprietary Fund	14
Statement of Revenues, Expenditures and Changes in Fund Net Assets - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Notes to Financial Statements	17-28
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	29
OTHER SUPPLEMENTARY INFORMATION:	
Comparative Schedule of Revenues, Expenses, and Changes in Fund Balance - Governmental Funds	30
Comparative Schedule of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	31
Schedules of Future Debt Service Requirements: Governmental Funds	32
Schedules of Future Debt Service Requirements: Proprietary Fund	33
Schedule of Restricted Cash Accounts	34
Schedule of Property Taxes	35
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	

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Certified Public Accountants
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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, 2012, 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, 2012, 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 February 21, 2013, 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
February 21, 2013

**CITY OF NEWARK, TX
CITY OFFICIALS**

September 30, 2012

MAYOR

Matt Newby

MAYOR PRO TEM

Laura Pixler

COUNCIL MEMBERS

Doug Anderson

Linda Anderson

Chana Massey

Bob Wells

CITY SECRETARY/CITY ADMINISTRATOR

Diane Rasor

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

September 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 233,458	\$ 150	\$ 233,608
Accounts Receivable (net)	43,633	136,818	180,451
Prepaid Expenses	500	1,864	2,364
TOTAL CURRENT ASSETS	<u>277,591</u>	<u>138,832</u>	<u>416,423</u>
NONCURRENT ASSETS			
Restricted Cash	38,831	38,398	77,229
Unamortized Bond Issue Costs	16,000	0	16,000
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	255,447	31,312	286,759
Equipment	193,424	155,712	349,136
Infrastructure	8,804	3,208,814	3,217,618
Construction in Progress	0	62,000	62,000
Less - Accumulated Depreciation	(266,265)	(1,258,117)	(1,524,382)
Total Capital Assets, Net of Accum. Depr.	<u>252,959</u>	<u>2,204,121</u>	<u>2,457,080</u>
TOTAL NONCURRENT ASSETS	<u>307,790</u>	<u>2,242,519</u>	<u>2,550,309</u>
TOTAL ASSETS	<u>585,381</u>	<u>2,381,351</u>	<u>2,966,732</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	13,092	130,663	143,755
Accrued Expenses	6,691	5,790	12,481
Compensated Absences	136	1,524	1,660
Customer Deposits	0	35,825	35,825
Bonds Payable	14,000	10,000	24,000
TOTAL CURRENT LIABILITIES	<u>33,919</u>	<u>183,802</u>	<u>217,721</u>
NONCURRENT LIABILITIES			
Bonds Payable	262,950	43,000	305,950
TOTAL NONCURRENT LIABILITIES	<u>262,950</u>	<u>43,000</u>	<u>305,950</u>
TOTAL LIABILITIES	<u>296,869</u>	<u>226,802</u>	<u>523,671</u>
NET ASSETS			
Invested in Capital Assets, net of Related Debt	8,507	2,151,121	2,159,628
Restricted For:			
Debt Service	20,871	0	20,871
Spirit of Christmas	1,462	0	1,462
Unrestricted	257,672	3,428	261,100
TOTAL NET ASSETS	<u>\$ 288,512</u>	<u>\$ 2,154,549</u>	<u>\$ 2,443,061</u>

CITY OF NEWARK, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (242,942)	\$ 72,562	\$ 0	\$ 0	\$ (170,380)	\$ -	\$ (170,380)
Public Safety	(12,508)	1,338	0	0	(11,170)	-	(11,170)
Public Works	(13,395)	0	0	0	(13,395)	-	(13,395)
Culture & Recreation	(41,021)	407	21,665	3,500	(15,449)	-	(15,449)
Interest on Long-Term Debt	(13,684)	0	0	0	(13,684)	-	(13,684)
TOTAL GOVERNMENTAL ACTIVITIES	(323,550)	74,307	21,665	3,500	(224,078)	-	-
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	(500,092)	380,088	0	369,440	-	249,436	249,436
TOTAL PRIMARY GOVERNMENT	\$ (823,642)	\$ 454,395	\$ 21,665	\$ 372,940	(224,078)	249,436	25,358
GENERAL REVENUE							
Property Taxes					224,861	-	224,861
Sales Taxes					90,320	-	90,320
Franchise Fees					41,632	-	41,632
Sale of Assets					20,885	-	20,885
Interest Income					252	47	299
Transfers					(132,288)	132,288	0
TOTAL GENERAL REVENUE					245,662	132,335	377,997
CHANGE IN NET ASSETS					21,584	381,771	403,355
NET ASSETS - BEGINNING					266,928	1,772,778	2,039,706
NET ASSETS - ENDING					\$ 288,512	\$ 2,154,549	\$ 2,443,061

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

September 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 234,920	\$ 20,871	\$ 16,498	\$ 272,289
Receivables:				
Sales Taxes	7,757	0	0	7,757
Franchise Taxes	624	0	0	624
Property Taxes	30,137	5,115	0	35,252
Prepaid Expenses	500	0	0	500
TOTAL ASSETS	273,938	25,986	16,498	316,422
LIABILITIES				
Accounts Payable	13,092	0	0	13,092
Accrued Expenses	2,834	0	0	2,834
Deferred Taxes	30,137	5,115	0	35,252
TOTAL LIABILITIES	46,063	5,115	0	51,178
FUND BALANCES				
Non Spendable				
Prepaid Expenses	500	0	0	500
Restricted For:				
Debt Service	0	20,871	0	20,871
Capital Improvements	0	0	16,498	16,498
Spirit of Christmas	1,462	0	0	1,462
Unassigned	225,913	0	0	225,913
TOTAL FUND BALANCES	227,875	20,871	16,498	265,244
TOTAL LIABILITIES AND FUND BALANCES	\$ 273,938	\$ 25,986	\$ 16,498	\$ 316,422

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

Fund Balance - Governmental Funds	\$	265,244
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		252,959
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet		35,252
Debt issue costs are current expenditures in the fund statement of revenues & expenditures but are amortized in the statement of net assets.		16,000
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet		(280,943)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	288,512

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

For the Year Ended September 30, 2012

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 190,791	\$ 30,755	\$ 0	\$ 221,546
Sales Taxes	90,320	0	0	90,320
Franchise Fees	41,632	0	0	41,632
Intergovernmental	25,165	0	0	25,165
Charges for Services	807	0	0	807
Fines	1,338	0	0	1,338
Licenses and Permits	9,959	0	0	9,959
Donations	0	0	0	0
Fire Department Insurance Reimburse.	6,053	0	0	6,053
Gas Lease Income	3,958	0	0	3,958
Other Revenues	52,192	0	0	52,192
Sale of City Property	20,885	0	0	20,885
Interest Income	213	17	22	252
TOTAL REVENUES	443,313	30,772	22	474,107
EXPENDITURES				
General Government	245,863	0	0	245,863
Public Safety	12,508	0	0	12,508
Culture & Recreation	31,683	0	0	31,683
Public Works	12,955	0	0	12,955
Capital Outlay	54,567	0	0	54,567
Debt Service:				
Principal	0	14,000	0	14,000
Interest	0	13,876	0	13,876
TOTAL EXPENDITURES	357,576	27,876	0	385,452
EXCESS REVENUES OVER (UNDER) EXPENDITURES	85,737	2,896	22	88,655
OTHER FINANCING SOURCES (USES)				
Transfer to Water & Sewer Fund	(121,663)	0	(10,625)	(132,288)
TOTAL OTHER FINANCING SOURCES (USES)	(121,663)	0	(10,625)	(132,288)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(35,926)	2,896	(10,603)	(43,633)
FUND BALANCE - BEGINNING	263,801	17,975	27,101	308,877
FUND BALANCE - ENDING	\$ 227,875	\$ 20,871	\$ 16,498	\$ 265,244

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, 2012

Net Change in Fund Balance - Governmental Funds	(43,633)
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	54,567
Depreciation expense on capital assets	(15,719)
Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	14,000
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	3,315
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	9,346
Accrued Compensated Absences	516
Accrued Interest	192
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>21,584</u>

CITY OF NEWARK, TX
STATEMENT OF NET ASSETS
PROPRIETARY FUND

September 30, 2012

WATER & SEWER
FUND

ASSETS

CURRENT ASSETS

Cash	\$	38,548
Accounts Receivable (net)		41,201
Grants Receivable		95,617
Prepaid Expenses		1,864
TOTAL CURRENT ASSETS		177,230

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		155,712
Distribution & Collection Systems		3,208,814
Construction in Progress		62,000
Less - Accumulated Depreciation		(1,258,117)
Total Capital Assets, Net of Accum. Depr.		2,204,121

TOTAL ASSETS

2,381,351

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		130,663
Accrued Expenses		7,314
Customer Deposits		35,825
Series 1979 Revenue Bonds - Current Portion		10,000
TOTAL CURRENT LIABILITIES		183,802

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds		43,000
TOTAL NONCURRENT LIABILITIES		43,000

TOTAL LIABILITIES

226,802

NET ASSETS

Invested in Capital Assets, net of Related Debt		2,151,121
Unrestricted		3,428
TOTAL NET ASSETS	\$	2,154,549

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2012

	WATER & SEWER
OPERATING REVENUES	
Charges for Services	
Water	\$ 190,177
Sewer	100,465
Garbage	77,304
Total Charges for Services	<u>367,946</u>
Tap Fees	0
Late Charges	10,696
Miscellaneous	1,446
TOTAL OPERATING REVENUES	<u><u>380,088</u></u>
OPERATING EXPENSES	
Personnel Services	119,721
Supplies and Contract Services	180,461
Professional Fees	3,820
Repair & Maintenance	111,482
Depreciation	81,846
TOTAL OPERATING EXPENSES	<u><u>497,330</u></u>
OPERATING INCOME (LOSS)	<u><u>(117,242)</u></u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	47
Interest Expense	(2,762)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>(2,715)</u></u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u><u>(119,957)</u></u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital Grants	369,440
Transfers from General Fund	132,288
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u><u>501,728</u></u>
CHANGE IN NET ASSETS	381,771
NET ASSETS - BEGINNING	<u>1,772,778</u>
NET ASSETS - ENDING	<u><u>\$ 2,154,549</u></u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$	380,069
Cash Payments to Suppliers for Goods and Services		(289,330)
Cash Payments for Employees Services		(118,946)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>(28,207)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from General Fund		<u>71,316</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Capital Assets		(347,795)
Transfers from General Fund		60,972
Capital Grants		286,823
Principal Paid on Bonds		(9,000)
Interest Paid on Bonds		(2,875)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		<u>(11,875)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments		<u>47</u>
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NET INCREASE IN CASH 31,281

CASH - BEGINNING OF YEAR 7,267

CASH - END OF YEAR \$ 38,548

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

Operating Income (Loss)	\$	(117,242)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		81,846
(Increase) Decrease in Receivables		(368)
(Increase) Decrease in Prepaid Expenses		(1,073)
Increase (Decrease) in Accounts Payable		6,044
Increase (Decrease) in Accrued Expenses		2,237
Increase (Decrease) in Customer Deposits		349
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>(28,207)</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected to not apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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.

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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.

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: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using 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 the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

liabilities of the current period (typical 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 only when payment is due.
of the measurement focus applied.

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.

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, 2012. 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 Newark and its components units.

- Statement No. 65, *Items previously reported as Assets and Liabilities*
- Statement No. 66, *Technical Corrections--2012--an amendment of GASB Statements No 10 and no. 62*

New pronouncements not yet in effect as of September 30, 2012, 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 2013, as required.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 one year or less.

2. Restricted Resources:

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

3. 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 - 15 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.

4. 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.

5. 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

6. 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 categorized as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

7. 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.

8. Capitalized Interest:

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

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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.

For the fiscal year ending September 30, 2012 the following departments had expenditures that exceeded appropriations:

<u>Department</u>	<u>Amount over budget</u>
Administration	\$ 90,887
Police	\$ 2,557
Library	\$ 5,427

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 \$2,800.

NOTE 3: DEPOSITS:

At September 30, 2012 the carrying amount of the City's cash accounts was \$310,837, made up of petty cash of \$180 and \$310,657 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2012.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Deposit and Investment risk Disclosures:

(1) Custodial 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, 2012 the City's bank balances (per bank) totaled \$326,191. All of the bank balances were covered by federal depository insurance. The City was not exposed to custodial credit risk at September 30, 2012.

(2) 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, therefor, is not exposed to credit risk.

(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, therefor, 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, therefor, 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.

NOTE 5: INTERFUND TRANSFERS:

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

For capital improvements	\$ 60,972
For operations	<u>71,316</u>
	<u>\$132,288</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 6: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2012 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Buildings & Improvements	212,012	43,435	0	255,447
Equipment	182,292	11,132	0	193,424
Infrastructure	8,804	0	0	8,804
TOTAL AT HISTORICAL COST	<u>464,657</u>	<u>54,567</u>	<u>0</u>	<u>519,224</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	77,761	10,122	0	87,883
Equipment	172,418	5,157	0	177,575
Infrastructure	367	440	0	807
TOTAL ACCUMULATED DEPRECIATION	<u>250,546</u>	<u>15,719</u>	<u>0</u>	<u>266,265</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 214,111</u>	<u>\$ 38,848</u>	<u>\$ 0</u>	<u>\$ 252,959</u>

CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	TRANSFERS & RETIREMENTS	ENDING BALANCE
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	75,377	49,000	62,377	62,000
Buildings & Improvements	31,312	0	0	31,312
Equipment	119,974	35,737	0	155,711
Water & Sewer System	2,794,357	414,458	0	3,208,815
TOTAL AT HISTORICAL COST	<u>3,025,420</u>	<u>499,195</u>	<u>62,377</u>	<u>3,462,238</u>
ACCUMULATED DEPRECIATION				
Buildings & Improvements	12,129	500		12,629
Equipment	117,932	5,754	0	123,686
Water & Sewer System	1,046,210	75,592	0	1,121,802
TOTAL ACCUMULATED DEPRECIATION	<u>1,176,271</u>	<u>81,846</u>	<u>0</u>	<u>1,258,117</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 1,849,149</u>	<u>\$ 417,349</u>	<u>\$ 62,377</u>	<u>\$ 2,204,121</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	5,941
Police		0
Library		9,338
Public Works		440
TOTAL DEPRECIATION EXPENSE	\$	<u>15,719</u>

DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES AS FOLLOWS:

Water & Sewer	\$	<u>81,846</u>
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NOTE 7: LONG-TERM DEBT:

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

Governmental Funds:

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

Combination Tax and Revenue Certificates of Obligation, Series 2008 - The bonds are payable from an ad valorem tax to be levied by the City, bear interest at 4.5% and the bonds maturing on or after June 15, 2019 can be redeemed prior to their maturity on December 15, 2018 or any date thereafter. The bonds require semi-annual payments with the final payment due in June 2028.

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, 2012 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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	\$ 19,950	\$ 0	\$ 3,000	\$ 16,950	\$ 3,000
2008 Tax & Revenue Certificates Payable	<u>271,000</u>	<u>0</u>	<u>11,000</u>	<u>260,000</u>	<u>11,000</u>
TOTAL	\$ <u>290,950</u>	\$ <u>0</u>	\$ <u>14,000</u>	\$ <u>276,950</u>	\$ <u>14,000</u>

BUSINESS-TYPE ACTIVITIES:

1979 Revenue Bonds Payable	\$ <u>62,000</u>	\$ <u>0</u>	\$ <u>9,000</u>	\$ <u>53,000</u>	\$ <u>10,000</u>
TOTAL	\$ <u>62,000</u>	\$ <u>0</u>	\$ <u>9,000</u>	\$ <u>53,000</u>	\$ <u>10,000</u>

Future debt maturities are as follows:

<u>Year</u>	<u>Governmental Type Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	16,950	10,332	11,000	550
2018-2022	77,000	40,534	0	0
2023-2027	99,000	20,076	0	0
2028	23,000	1,099	0	0
Total	\$ <u>276,950</u>	\$ <u>120,947</u>	\$ <u>53,000</u>	\$ <u>8,100</u>

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 February 21, 2013 (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, 2012

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:			
TAXES:			
Property Taxes	\$ 230,592	\$ 221,546	\$ (9,046)
Sales Taxes	80,000	90,320	10,320
Franchise Fees	42,000	41,632	(368)
TOTAL TAXES	<u>352,592</u>	<u>353,498</u>	<u>906</u>
INTERGOVERNMENTAL:			
Library County Funding	27,424	21,665	(5,759)
SECO Energy Grant	13,280	3,500	(9,780)
Library Grant	1,000	0	(1,000)
TOTAL INTERGOVERNMENTAL	<u>41,704</u>	<u>25,165</u>	<u>(16,539)</u>
CHARGES FOR SERVICES:			
Library Fees	800	407	(393)
Plat and Other Building Fees	1,500	400	(1,100)
TOTAL CHARGES FOR SERVICES	<u>2,300</u>	<u>807</u>	<u>(1,493)</u>
FINES			
Animal Control	600	594	(6)
Police	0	744	744
TOTAL FINES	<u>600</u>	<u>1,338</u>	<u>738</u>
LICENSES AND PERMITS:			
Building Permits	5,000	9,959	4,959
TOTAL LICENSES AND PERMITS	<u>5,000</u>	<u>9,959</u>	<u>4,959</u>
DONATIONS:			
Parks	100	0	(100)
TOTAL DONATIONS	<u>100</u>	<u>0</u>	<u>(100)</u>
INTEREST INCOME	<u>100</u>	<u>252</u>	<u>152</u>
OTHER SOURCES:			
Fire Department Insurance Reimbursement	0	6,053	6,053
Cell Tower Rental	15,480	15,480	0
Conduit Loan Fees	10,000	35,000	25,000
Other Income	1,500	1,712	212
Sale of City Property	6,500	20,885	14,385
Gas Lease Income	4,875	3,958	(917)
TOTAL OTHER SOURCES	<u>38,355</u>	<u>83,088</u>	<u>44,733</u>
TOTAL RESOURCES AVAILABLE	<u>440,751</u>	<u>474,107</u>	<u>33,356</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:			
ADMINISTRATION:			
Salaries and Wages	46,040	51,442	(5,402)
Payroll Taxes	18,500	4,976	13,524
Retirement	1,200	1,200	0
Health Insurance	6,300	6,471	(171)
Audit Services	8,000	7,500	500
Engineering Services	6,000	1,947	4,053
Legal Services	35,000	63,414	(28,414)
Codification Services	0	4,475	(4,475)
Tax Collection Services	2,260	2,571	(311)
Building Inspection Fees	5,250	3,760	1,490
Building Maintenance	1,000	34,279	(33,279)
Computer Expense	4,600	4,755	(155)
Dues	587	587	0
Election	2,500	75	2,425
Insurance	15,000	11,080	3,920
Office Supply, Copier, Postage and Other Expenses	7,040	6,808	232
Public Notices	5,000	5,030	(30)
Telephone & Utilities	31,000	34,226	(3,226)
Travel & Training	500	1,267	(767)
Debt Service	27,275	27,876	(601)
Capital Outlay	0	40,200	(40,200)
TOTAL ADMINISTRATION	<u>223,052</u>	<u>313,939</u>	<u>(90,887)</u>
POLICE:			
Animal Control Services	1,000	1,897	(897)
Judge & Bailiff Services	3,500	2,150	1,350
Code Enforcement	250	3,047	(2,797)
State Comptroller Court Costs	0	213	(213)
TOTAL POLICE	<u>4,750</u>	<u>7,307</u>	<u>(2,557)</u>
FIRE:			
Telephone and Utilities	6,000	5,201	799
TOTAL FIRE	<u>6,000</u>	<u>5,201</u>	<u>799</u>
PUBLIC WORKS:			
Street Maintenance	34,000	12,955	21,045
Equipment Maintenance	4,000	0	4,000
Capital Outlay	0	7,618	(7,618)
TOTAL PUBLIC WORKS	<u>38,000</u>	<u>20,573</u>	<u>17,427</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	ORIGINAL/ FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
LIBRARY:			
Salaries and Wages	16,800	17,717	(917)
Payroll Taxes	0	1,130	(1,130)
Books, DVD's and Subscriptions	2,725	3,678	(953)
Supplies	7,800	3,088	4,712
Building Maintenance	600	1,475	(875)
Telephone and Utilities	4,680	4,446	234
Travel	400	149	251
Capital Outlay	0	6,749	(6,749)
TOTAL LIBRARY	<u>33,005</u>	<u>38,432</u>	<u>(5,427)</u>
OTHER USES:			
Transfer to Water & Sewer	<u>62,287</u>	<u>132,288</u>	<u>(70,001)</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>367,094</u>	<u>517,740</u>	<u>(150,646)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,657	(43,633) \$	<u>(117,290)</u>
BEGINNING BUDGETARY SURPLUS	<u>308,877</u>	<u>308,877</u>	
ENDING BUDGETARY SURPLUS	<u>\$ 382,534</u>	<u>\$ 265,244</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, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES			
TAXES:			
Property Taxes	\$ 221,546	\$ 214,608	\$ 216,407
Sales Taxes	90,320	76,319	59,306
Franchise Fees	41,632	43,743	42,790
TOTAL TAXES	<u>353,498</u>	<u>334,670</u>	<u>318,503</u>
INTERGOVERNMENTAL:			
Library County Funding	21,665	24,424	20,423
Seco Energy Grant	3,500	19,520	0
Library Grant	0	5,062	0
TOTAL INTERGOVERNMENTAL	<u>25,165</u>	<u>49,006</u>	<u>20,423</u>
CHARGES FOR SERVICES:			
Library Fees	407	406	1,324
Plat and Other Building Fees	400	1,300	650
Rental Fees	0	0	12,505
TOTAL CHARGES FOR SERVICES	<u>807</u>	<u>1,706</u>	<u>14,479</u>
FINES			
Animal Control	594	768	0
Police	744	8,430	43,612
TOTAL FINES	<u>1,338</u>	<u>9,198</u>	<u>43,612</u>
LICENSES AND PERMITS:			
Building Permits	9,959	7,459	6,425
TOTAL LICENSES AND PERMITS	<u>9,959</u>	<u>7,459</u>	<u>6,425</u>
DONATIONS:			
Christmas Fund	0	0	79
Police	0	2,500	249
TOTAL DONATIONS	<u>0</u>	<u>2,500</u>	<u>328</u>
INTEREST INCOME	<u>252</u>	<u>226</u>	<u>986</u>
OTHER SOURCES:			
Fire Department Insurance Reimbursement	6,053	6,088	9,740
Cell Tower Rental	15,480	14,880	6,379
Conduit Income	35,000	10,000	10,000
Other Income	1,712	3,641	2,059
Sale of City Property	20,885	21,950	0
Gas Lease Income	3,958	7,485	7,823
TOTAL OTHER SOURCES	<u>83,088</u>	<u>64,044</u>	<u>36,001</u>
TOTAL REVENUES	<u>474,107</u>	<u>468,809</u>	<u>440,757</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2012, 2011 and 2010

EXPENDITURES	2012	2011	2010
ADMINISTRATION:			
Salaries and Wages	51,442	46,843	37,418
Payroll Taxes	4,976	3,894	12,280
Retirement	1,200	600	1,200
Health Insurance	6,471	6,367	11,460
Contract Labor	0	0	11,303
Audit Services	7,500	7,500	7,500
Engineering Services/Other Consulting Services	6,422	0	2,170
Legal Services	63,414	39,443	30,726
Tax Collection Services	2,571	2,602	2,605
Building Inspection Fees	3,760	3,622	3,400
Building Maintenance	34,279	3,094	1,063
Computer Expense	4,755	4,025	4,956
Dues	587	587	722
Election	75	2,449	1,632
Insurance	11,080	9,928	11,588
Office Supply, Copier, Postage and Other Expenses	6,808	7,559	7,070
Public Notices	5,030	7,716	2,235
Telephone & Utilities	34,226	31,901	33,971
Travel & Training	1,267	0	0
Capital Outlay	40,200	54,685	0
Debt Service	27,876	27,506	28,158
TOTAL ADMINISTRATION	<u>313,939</u>	<u>260,321</u>	<u>211,457</u>
POLICE:			
Salaries and Wages - Police	0	3,222	19,419
Salaries and Wages - Court Clerk	0	0	28,188
Retirement	0	0	1,200
Payroll Taxes	0	333	0
Animal Control Services	1,897	1,450	1,825
Judge & Bailiff Services	2,150	3,469	1,800
Code Enforcement	3,047	1,278	0
State Comptroller Court Costs	213	4,521	14,458
Supplies and Minor Equipment	0	1,189	5,072
Telephone	0	0	753
Training	0	50	50
Vehicle Expenses	0	831	3,691
Debt Service	0	4,471	4,443
TOTAL POLICE	<u>7,307</u>	<u>20,814</u>	<u>80,899</u>
FIRE:			
Telephone and Utilities	5,201	5,583	7,702
TOTAL FIRE	<u>5,201</u>	<u>5,583</u>	<u>7,702</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2012, 2011 and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
PUBLIC WORKS:			
Salaries and Wages	0	0	24,461
Retirement	0	0	1,400
Contract Labor	0	616	0
Street Maintenance	12,955	13,889	3,342
Supplies and Equipment Repair	0	3,200	2,346
Utilities	0	0	555
Vehicle Expenses	0	0	1,210
Capital Outlay	7,618	8,804	14,412
TOTAL PUBLIC WORKS	<u>20,573</u>	<u>26,509</u>	<u>47,726</u>
LIBRARY:			
Salaries and Wages	17,717	16,759	15,282
Payroll Taxes	1,130	1,447	0
Books and Supplies	6,766	7,941	4,140
Building Maintenance	1,475	468	850
Telephone and Utilities	4,446	6,641	6,840
Travel	149	865	0
Capital Outlay	6,749	0	0
TOTAL LIBRARY	<u>38,432</u>	<u>34,121</u>	<u>27,112</u>
OTHER USES :			
Transfer to Water and Sewer	<u>132,288</u>	<u>93,171</u>	<u>100,497</u>
TOTAL EXPENDITURES	<u>517,740</u>	<u>440,519</u>	<u>475,393</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(43,633)	28,290	(34,636)
FUND BALANCE - BEGINNING	<u>308,877</u>	<u>280,587</u>	<u>315,223</u>
FUND BALANCE - ENDING	\$ <u>265,244</u>	\$ <u>308,877</u>	\$ <u>280,587</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2012, 2011 & 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING REVENUES			
Charges for Services			
Water	\$ 190,177	\$ 183,985	\$ 170,259
Sewer	100,465	84,337	91,758
Garbage	77,304	73,929	75,330
Total Charges for Services	<u>367,946</u>	<u>342,251</u>	<u>337,347</u>
Tap Fees	0	15,000	6,000
Late Charges	10,696	10,205	9,020
Miscellaneous	1,446	1,660	4,488
TOTAL OPERATING REVENUES	<u>380,088</u>	<u>369,116</u>	<u>356,855</u>
OPERATING EXPENSES			
Personnel Services			
Salaries & Wages	96,263	77,803	27,766
Health Insurance	13,443	16,616	5,920
Retirement	1,600	2,400	1,200
Payroll Taxes	8,415	6,219	1,024
Total Personnel Services	<u>119,721</u>	<u>103,038</u>	<u>35,910</u>
Professional Fees			
Engineering	3,820	7,488	13,472
Total Professional Fees	<u>3,820</u>	<u>7,488</u>	<u>13,472</u>
Supplies & Contract Services			
Bank Fees	0	0	2,702
Contract Labor	4,430	12,011	29,225
Electricity	45,219	50,670	48,500
Garbage Collection	65,437	66,989	68,809
Insurance	10,080	8,928	11,588
Lab Fees	18,024	14,031	17,367
Office Supplies	166	843	795
Other Expense	299	299	1,055
Permits & Inspections	2,972	2,046	3,319
Postage	2,116	1,951	1,934
Return Checks	1,331	1,151	1,382
Supplies	4,195	2,752	1,117
Telephone	7,948	9,662	3,796
Training	1,197	1,259	111
Vehicle Expenses	17,047	11,268	5,782
Total Supplies & Contract Services	<u>180,461</u>	<u>183,860</u>	<u>197,482</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2012, 2011 & 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Repair & Maintenance			
Lift Station Expense	5,355	4,203	18,408
Repairs & Maintenance - Supplies & Equipment	22,253	15,402	9,690
Sewer System	60,262	27,150	21,763
Water System	23,612	26,957	25,565
Total Repairs & Maintenance	<u>111,482</u>	<u>73,712</u>	<u>75,426</u>
Depreciation	<u>81,846</u>	<u>71,082</u>	<u>68,321</u>
TOTAL OPERATING EXPENSES	<u>497,330</u>	<u>439,180</u>	<u>390,611</u>
OPERATING INCOME (LOSS)	<u>(117,242)</u>	<u>(70,064)</u>	<u>(33,756)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	47	0	0
Interest Expense	(2,762)	(3,435)	(3,588)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,715)</u>	<u>(3,435)</u>	<u>(3,588)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(119,957)</u>	<u>(73,499)</u>	<u>(37,344)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Grants	369,440	37,150	0
Transfers from General Fund	132,288	93,171	100,497
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u>501,728</u>	<u>130,321</u>	<u>100,497</u>
CHANGE IN NET ASSETS	381,771	56,822	63,153
NET ASSETS - BEGINNING	<u>1,772,778</u>	<u>1,715,956</u>	<u>1,652,803</u>
NET ASSETS - ENDING	<u>\$ 2,154,549</u>	<u>\$ 1,772,778</u>	<u>\$ 1,715,956</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2012

Series 1979 General Obligation Bonds

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 2,690</u>	<u>\$ 16,950</u>	<u>\$ 19,640</u>

Series 2008 Certificates of Obligation

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 118,257</u>	<u>\$ 260,000</u>	<u>\$ 378,257</u>

CITY OF NEWARK, TX
SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
FUTURE DEBT REQUIREMENTS
September 30, 2012

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 8,100</u>	<u>\$ 53,000</u>	<u>\$ 61,100</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2012

TOTAL REQUIREMENTS				TOTAL
YEAR	INTEREST	PRINCIPAL		REQUIREMENTS
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
2017	10,332	16,950		27,282
	59,238	77,950		137,188
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
	40,534	77,000		117,534
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
	20,076	99,000		119,076
2028	1,099	23,000		24,099
	1,099	23,000		24,099
TOTAL ALL YEARS	\$ 120,947	\$ 276,950	\$	397,897

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

September 30, 2012

GENERAL FUND

Debt Service	\$	20,871
Unspent 2008 Certificate of Obligation Funds		16,498
Spirit of Christmas		1,462
TOTAL GENERAL FUND	\$	<u>38,831</u>

PROPRIETARY FUND

Customer Deposits	\$	33,997
Grant Funds		4,401
TOTAL PROPRIETARY FUND	\$	<u>38,398</u>

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

September 30, 2012

Tax Year	2011	2010	2009	2008
Assessed Value	\$ 42,197,943	\$ 40,228,609	\$ 40,545,941	\$ 39,328,093
Tax Rate per \$100 of Assessed Value	0.5226	0.5226	0.5226	0.5270
Total Tax Levy	\$ 220,526	\$ 210,235	\$ 211,893	\$ 207,259
Collections During Fiscal Year	\$ 209,376	\$ 201,416	\$ 204,027	\$ 200,477
% of Current Taxes Collected	94.94%	95.81%	96.29%	96.73%

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 Dr., Ste 116
Keller, TX 76248
817-421-6619

To the Mayor & City Council
City of Newark

I have audited the financial statements of the governmental activities and the major funds of the City of Newark for the year ended September 30, 2012, and have issued my report thereon dated February 21, 2013. Professional standards require that I provide you with the following information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 25, 2012. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Newark are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was :

Management's estimate of depreciation expense is based on the estimated useful lives of the related assets. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated February 21, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

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

Very truly yours,

William C. Spore

Certified Public Accountant
February 21, 2013

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Drive, Ste 116
Keller, TX 76248
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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, 2012, which collectively comprise the City of Newark's basic financial statements and have issued my report thereon dated February 21, 2013. 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.

February 21, 2013