

CITY OF NEWARK, TX
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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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 and the business-type activities of the City of Newark, Texas as of and for the year ending September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the City of Newark, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newark's basic financial statements. The comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds, comparative schedule of revenues, expenses and changes in net position - Proprietary Fund, schedule of future debt service requirements - Governmental Funds, schedule of future debt service requirements - Proprietary Fund, schedule of restricted cash accounts and the schedule of property taxes are presented for additional analysis and are not a part of the basic financial statements.

The comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds, comparative schedule of revenues, expenses and changes in net position - Proprietary Fund, schedule of future debt service requirements - Governmental Funds, schedule of future debt service requirements - Proprietary Fund, schedule of restricted cash accounts and the schedule of property taxes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds,

comparative schedule of revenues, expenses and changes in net position - Proprietary Fund, schedule of future debt service requirements - Governmental Funds, schedule of future debt service requirements - Proprietary Fund, schedule of restricted cash accounts and the schedule of property taxes are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 15, 2014, 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 my 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* in considering the City of Newark's internal control over financial reporting and compliance.

William C. Spore, P.C.
Certified Public Accountants
Keller, Texas
May 15, 2014

**CITY OF NEWARK, TX
CITY OFFICIALS**

September 30, 2013

MAYOR

Gary Van Wagner

MAYOR PRO TEM

Bob Wells

COUNCIL MEMBERS

Doug Anderson

Linda Anderson

Taylor Burton

Dan Sessler

CITY SECRETARY/CITY ADMINISTRATOR

Diane Rasor

CITY OF NEWARK, TX MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Newark, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. The information provided here should be used in conjunction with the basic financial statements.

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

Because MD&A focuses on the current year's activity, resulting changes and currently known facts, you are encouraged to read it in conjunction with the basic financial statements including notes thereto, required supplemental information, and other supplementary data provided below.

FINANCIAL HIGHLIGHTS

- At September 30, 2013, Government-Wide total assets exceeded total liabilities by \$2,704,248 (net assets), an increase of \$277,187 over the prior period.
- Of the total Government-Wide Net Position, \$253,095 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$222,174. The unassigned General Fund balance is \$199,188 or 90% of General Fund expenditures.

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

The Statement of Net Position and the Statement of Activities

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

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

The Statement of Activities (page 11) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the

change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets are as follows:

	GOVERNMENT-WIDE NET POSITION				TOTAL PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		GOVERNMENT	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 270,102	\$ 316,422	\$ 100,799	\$ 177,230	\$ 370,901	\$ 493,652
Capital Assets	<u>229,329</u>	<u>252,959</u>	<u>2,505,288</u>	<u>2,204,121</u>	<u>2,734,617</u>	<u>2,457,080</u>
Total Assets	<u>499,431</u>	<u>569,381</u>	<u>2,606,087</u>	<u>2,381,351</u>	<u>3,105,518</u>	<u>2,950,732</u>
Long-Term Debt	262,950	276,950	43,000	53,000	305,950	329,950
Other Liabilities	<u>14,824</u>	<u>19,919</u>	<u>80,496</u>	<u>173,802</u>	<u>95,320</u>	<u>193,721</u>
Total Liabilities	<u>277,774</u>	<u>296,869</u>	<u>123,496</u>	<u>226,802</u>	<u>401,270</u>	<u>523,671</u>
Invested in Capital						
Net of Debt	(18,621)	8,507	2,462,288	2,151,121	2,443,667	2,159,628
Restricted	22,486	22,333	0	0	22,486	22,333
Unrestricted	<u>217,792</u>	<u>241,672</u>	<u>20,303</u>	<u>3,428</u>	<u>238,095</u>	<u>245,100</u>
Total Net Position	<u>\$ 221,657</u>	<u>\$ 272,512</u>	<u>\$ 2,482,591</u>	<u>\$ 2,154,549</u>	<u>\$ 2,704,248</u>	<u>\$ 2,427,061</u>

At September 30, 2013 the City had total assets of \$3,105,518 which included capital assets of \$2,734,617. These capital assets represent 88% of the City's total assets. The City uses these capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

The City's net position (assets less liabilities) increased \$277,187 in 2013 and \$403,355 in 2012. These increases are primarily due to the receipt of capital grants and donations which were used for water and wastewater improvements during the last two fiscal years.

Analysis of City's Operations

A summary of the City's operations for the year ended September 30, 2013, with comparative totals for the year ended September 30, 2012 are as follows:

REVENUES	CHANGES IN NET POSITION				TOTAL PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		GOVERNMENT	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$ 82,406	\$ 74,307	\$ 377,530	\$ 380,088	\$ 459,936	\$ 454,395
Operating Grants & Donations	27,557	21,665	0	0	27,557	21,665
Capital Grants & Donations	0	3,500	311,205	369,440	311,205	372,940
General Revenues:						
Property Taxes	222,418	224,861	--	--	222,418	224,861
Sales Taxes	95,363	90,320	--	--	95,363	90,320
Franchise Taxes	40,533	41,632	--	--	40,533	41,632
Interest Income	321	252	58	47	379	299
Sale of Assets	21,781	20,885	0	0	21,781	20,885
Transfers	<u>(147,885)</u>	<u>(132,288)</u>	<u>147,885</u>	<u>132,288</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	<u>342,494</u>	<u>345,134</u>	<u>836,678</u>	<u>881,863</u>	<u>1,179,172</u>	<u>1,226,997</u>

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2013	2012	2013	2012	2013	2012
PROGRAM EXPENSES						
General Government	195,722	241,942	--	--	195,722	241,942
Public Safety	16,815	12,508	--	--	16,815	12,508
Public Works	123,395	13,395	--	--	123,395	13,395
Culture & Recreation	44,408	41,021	--	--	44,408	41,021
Interest Expense	13,009	13,684	--	--	13,009	13,684
Water & Sewer	--	--	508,636	500,092	508,636	500,092
TOTAL EXPENSES	393,349	322,550	508,636	500,092	901,985	822,642
CHANGE IN NET POSITION	\$ (50,855)	\$ 22,584	\$ 328,042	\$ 381,771	\$ 277,187	\$ 404,355

Total City wide revenues decreased by \$47,825 (4%) from fiscal year 2012 while total City wide expenses increased by \$79,343 (10%). During 2011 and 2012 the City was awarded three water and wastewater improvement grants, a Texas Community Development Block Grant for water system improvements (\$348,705), a Texas Community Development Block Grant for wastewater system improvements (\$350,000) and a Texas Community Development Block Grant for wastewater discharge improvements (\$275,000). During 2013 the City received a total of \$311,205 from the three grants; \$255,957 from the water grant, \$2,998 from the wastewater grant and \$52,250 from the discharge grant. The City expects to expend the remaining grant funds during the 2014 and 2015 fiscal years.

Water and sewer operating revenues decreased \$2,558 from 2012 to 2013 while water and sewer fund expenses increased \$8,544 during the same time period. The water and sewer fund had an operating deficit in 2013 of \$131,106. This deficit was funded from transfers from the general fund.

GOVERNMENTAL FUND ANALYSIS

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

General Fund revenues compared to the prior year is as follows:

	2013	2012	%
Tax Revenues	\$ 356,269	\$ 353,498	0.78%
Intergovernmental Revenues	22,132	25,165	-12.05%
Police Fines	606	1,338	-54.71%
Charges for Services	471	807	-41.64%
Licenses & Permits	5,327	9,959	-46.51%
Donations	5,425	0	--
Investment Income	321	252	27.38%
Proceeds from Sale of Assets	29,153	20,885	39.59%
Other Income	76,002	62,203	22.18%
	<u>\$ 495,706</u>	<u>\$ 474,107</u>	<u>4.56%</u>

Tax revenues include property taxes, sales taxes and franchise taxes. Property tax revenues decreased \$1,173 in 2013 due to a decrease in property tax values in the City. Sales tax revenues increased 6% in 2013 from 2012 due to an increase in commercial businesses in the City. The City sold surplus property it owned during 2012 and 2013 receiving total proceeds of \$29,153 in 2013 and \$20,885 in 2012. Other income includes conduit loan fees of \$50,000 in 2013 and \$35,000 in 2012.

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

	2013	2012	%
Administration	\$ 215,961	\$ 313,939	-31.21%
Fire	7,418	5,201	42.63%
Police	9,397	7,307	28.60%
Public Works	122,955	20,573	497.65%
Library	29,735	38,432	-22.63%
Parks	5,425	0	-
Transfer to Water & Sewer	147,885	132,288	11.79%
	<u>\$ 538,776</u>	<u>\$ 517,740</u>	<u>4.06%</u>

Administrative expenditures in 2012 included \$63,414 for legal fees and \$40,200 for capital outlay. Legal fee expenditures in 2013 totaled \$17,314, a decrease of \$46,100 from 2012 and there were no capital outlay expenditures in 2013. Personnel and insurance expenditures increased \$16,208 and \$11,697, respectfully, in 2013 over 2012 while building maintenance expenditures decreased \$30,328.

During the fiscal year the City expended \$114,658 for street repairs compared to \$12,136 in the prior fiscal year.

General Fund Budgetary Highlights

A general fund budget - actual summary for 2013 is as follows:

REVENUES	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
Tax Revenues	\$ 361,028	\$ 356,269	\$ (4,759)
Intergovernmental Revenues	20,424	22,132	1,708
Police Fines	600	606	6
Charges for Services	600	471	(129)
Licenses & Permits	5,000	5,327	327
Donations	0	5,425	5,425
Investment Income	0	321	321
Proceeds from Sale of Assets	30,500	29,153	(1,347)
Other Income	75,234	76,002	768
	<u>\$ 493,386</u>	<u>\$ 495,706</u>	<u>\$ 2,320</u>

APPROPRIATIONS	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE
Administration	\$ 228,012	\$ 215,961	\$ 12,051
Fire	6,000	7,418	(1,418)
Police	10,030	9,397	633
Public Works	123,500	122,955	545
Library	31,527	29,735	1,792
Parks	12	5,425	(5,413)
Transfer to Water & Sewer	0	147,885	(147,885)
	<u>399,081</u>	<u>538,776</u>	<u>(139,695)</u>
BALANCE	\$ 94,305	\$ (43,070)	\$ (137,375)

Actual revenues exceeded budgeted revenues by \$2,320. Actual revenues include \$5,425 of donations to the parks department which were not included in the budget.

Administrative budgeted expenditures exceeded actual expenditures by \$12,051 due to personnel costs (\$12,036) and legal fees (\$4,686) being under budget which offset office supplies (\$1,914) and public notices (\$2,984) being over budget.

The parks department received \$5,425 of donations which were used for parks improvements. Neither the donations revenues nor the expenditures were included in the budgeted revenues or expenditures.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2013 amounts to \$2,734,617 (net of depreciation). The investment in capital assets includes land, buildings, equipment and infrastructure. Infrastructure includes streets, water and sewer systems.

Capital assets acquired in 2013 are as follows:

Waste Water Treatment Plant Improvements	\$ 4,500
Waste Water Discharge Improvements	57,250
Water System Improvements	321,731
Fire Hydrant	1,500
Fences at Wells	9,000
Ditch Witch	5,336
Skid Steer	13,500
	<u>\$ 412,817</u>

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2013	2012	2013	2012	2013	2012
Land	\$ 61,549	\$ 61,549	\$ 4,400	\$ 4,400	\$ 65,949	\$ 65,949
Buildings & Improvements	149,068	167,564	18,183	18,683	167,251	186,247
Equipment	11,155	15,849	40,499	32,025	51,654	47,874
Infrastructure	7,557	7,997	2,442,206	2,149,013	2,449,763	2,157,010
TOTAL	\$ 229,329	\$ 252,959	\$ 2,505,288	\$ 2,204,121	\$ 2,734,617	\$ 2,457,080

Additional information on the City's capital assets can be found in Note 6.

DEBT ADMINISTRATION

The City did not add any long-term debts during 2013. Outstanding long-term debts are as follows:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2013	2012	2013	2012	2013	2012
Tax and Revenue Bonds	\$ 262,950	\$ 276,950	\$ 43,000	\$ 53,000	\$ 305,950	\$ 329,950

Additional information on the City's long-term debts can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2014 are \$385,965, a decrease of \$107,421 from 2013 budgeted revenues. The tax rate applied in the 2014 budget is 57.35 cents per \$100 of valuation, a 0.19 cents per \$100 of valuation increase over the 2013 tax rate. The City anticipates collecting \$96,000 of sales tax revenues and \$40,000 of franchise fees in 2014, amounts that are comparable to actual collections in 2013. The general fund budget does not anticipate collecting any conduit loan fees or receiving any revenues from the sales of surplus City property in 2014. During 2013 the City collected \$50,000 in conduit loan fees and \$29,153 from the sale of surplus City property.

General fund budgeted expenditures total \$293,800 and include \$20,000 for legal fees, \$117,732 for personnel costs, \$25,000 for code enforcement and \$17,000 for street repairs.

Water and sewer fund 2014 budgeted revenues are \$396,300 an increase of \$16,212 from 2013 actual revenues. Water and sewer budgeted expenses are \$460,794 including \$148,950 for personnel expenses, \$15,000 for equipment purchases, \$32,000 and \$66,610 for water and sewer system improvements.

REQUEST FOR INFORMATION

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

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

September 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 202,095	\$ 300	\$ 202,395
Accounts Receivable (net)	45,069	59,257	104,326
Prepaid Expenses	452	1,369	1,821
TOTAL CURRENT ASSETS	247,616	60,926	308,542
NONCURRENT ASSETS			
Restricted Cash	22,486	39,873	62,359
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	236,828	31,312	268,140
Equipment	193,424	174,548	367,972
Infrastructure	8,804	3,607,545	3,616,349
Construction in Progress	0	57,250	57,250
Less - Accumulated Depreciation	(271,276)	(1,369,767)	(1,641,043)
Total Capital Assets, Net of Accum. Depr.	229,329	2,505,288	2,734,617
TOTAL NONCURRENT ASSETS	251,815	2,545,161	2,796,976
TOTAL ASSETS	499,431	2,606,087	3,105,518
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	6,938	35,724	42,662
Accrued Expenses	7,358	5,668	13,026
Compensated Absences	528	800	1,328
Customer Deposits	0	38,304	38,304
Bonds Payable	15,000	10,000	25,000
TOTAL CURRENT LIABILITIES	29,824	90,496	120,320
NONCURRENT LIABILITIES			
Bonds Payable	247,950	33,000	280,950
TOTAL NONCURRENT LIABILITIES	247,950	33,000	280,950
TOTAL LIABILITIES	277,774	123,496	401,270
NET POSITION			
Invested in Capital Assets, net of Related Debt	(33,621)	2,462,288	2,428,667
Restricted For:			
Debt Service	21,524	0	21,524
Spirit of Christmas	962	0	962
Unrestricted	232,792	20,303	253,095
TOTAL NET POSITION	\$ 221,657	\$ 2,482,591	\$ 2,704,248

CITY OF NEWARK, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

FUNCTIONS/PROGRAMS	FINES, FEES & CHARGES FOR SERVICES		OPERATING GRANTS & DONATIONS		CAPITAL GRANTS & DONATIONS		BUSINESS-TYPE ACTIVITIES	TOTAL
	EXPENSES							
GOVERNMENTAL ACTIVITIES:								
General Government	\$ (195,722)	\$ 81,629	\$ 0	\$ 0	\$ 0	\$ (114,093)	\$ -	(114,093)
Public Safety	(16,815)	606	0	0	0	(16,209)	-	(16,209)
Public Works	(123,395)	0	0	0	0	(123,395)	-	(123,395)
Culture & Recreation	(44,408)	171	27,557	0	0	(16,680)	-	(16,680)
Interest on Long-Term Debt	(13,009)	0	0	0	0	(13,009)	-	(13,009)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(393,349)</u>	<u>82,406</u>	<u>27,557</u>	<u>0</u>	<u>0</u>	<u>(283,386)</u>	<u>-</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Water & Sewer	(508,636)	377,530	0	311,205	0	-	180,099	180,099
TOTAL PRIMARY GOVERNMENT	<u>(901,985)</u>	<u>459,936</u>	<u>27,557</u>	<u>311,205</u>	<u>0</u>	<u>(283,386)</u>	<u>180,099</u>	<u>(103,287)</u>
GENERAL REVENUE								
Property Taxes						222,418	-	222,418
Sales Taxes						95,363	-	95,363
Franchise Fees						40,533	-	40,533
Sale of Assets						21,781	-	21,781
Interest Income						321	58	379
Transfers						(147,885)	147,885	0
TOTAL GENERAL REVENUE						<u>232,531</u>	<u>147,943</u>	<u>380,474</u>
CHANGE IN NET ASSETS						(50,855)	328,042	277,187
NET POSITION - BEGINNING (as restated - see note 10)						288,512	2,154,549	2,443,061
NET POSITION - ENDING						<u>\$ 237,657</u>	<u>\$ 2,482,591</u>	<u>\$ 2,720,248</u>

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

September 30, 2013

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 203,057	\$ 21,524	\$ 0	\$ 224,581
Receivables:				
Sales Taxes	6,718	0	0	6,718
Franchise Taxes	1,054	0	0	1,054
Property Taxes	32,229	5,068	0	37,297
Prepaid Expenses	452	0	0	452
TOTAL ASSETS	243,510	26,592	0	270,102
LIABILITIES				
Accounts Payable	6,938	0	0	6,938
Accrued Expenses	3,693	0	0	3,693
TOTAL LIABILITIES	10,631	0	0	10,631
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	32,229	5,068	0	37,297
FUND BALANCES				
Non Spendable				
Prepaid Expenses	500	0	0	500
Restricted For:				
Debt Service	0	21,524	0	21,524
Capital Improvements	0	0	0	0
Spirit of Christmas	962	0	0	962
Unassigned	199,188	0	0	199,188
TOTAL FUND BALANCES	200,650	21,524	0	222,174
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 243,510	\$ 26,592	\$ 0	\$ 270,102

RECONCILIATION OF THE GOVERNMENTS FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

Fund Balance - Governmental Funds	\$ 222,174
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	229,329
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet	37,297
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	(267,143)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 221,657

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

For the Year Ended September 30, 2013

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 192,549	\$ 27,824	\$ 0	\$ 220,373
Sales Taxes	95,363	0	0	95,363
Franchise Fees	40,533	0	0	40,533
Intergovernmental	22,132	0	0	22,132
Charges for Services	471	0	0	471
Fines	606	0	0	606
Licenses and Permits	5,327	0	0	5,327
Donations	5,425	0	0	5,425
Fire Department Insurance Reimburse.	5,529	0	0	5,529
Gas Lease Income	4,290	0	0	4,290
Other Revenues	66,183	0	0	66,183
Sale of City Property	29,153	0	0	29,153
Interest Income	283	30	8	321
TOTAL REVENUES	467,844	27,854	8	495,706
EXPENDITURES				
General Government	188,760	0	0	188,760
Public Safety	16,815	0	0	16,815
Culture & Recreation	35,160	0	0	35,160
Public Works	122,955	0	0	122,955
Capital Outlay	0	0	0	0
Debt Service:				
Principal	0	14,000	0	14,000
Interest	0	13,201	0	13,201
TOTAL EXPENDITURES	363,690	27,201	0	390,891
EXCESS REVENUES OVER (UNDER) EXPENDITURES	104,154	653	8	104,815
OTHER FINANCING SOURCES (USES)				
Transfer to Water & Sewer Fund	(131,379)	0	(16,506)	(147,885)
TOTAL OTHER FINANCING SOURCES (USES)	(131,379)	0	(16,506)	(147,885)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(27,225)	653	(16,498)	(43,070)
FUND BALANCE - BEGINNING	227,875	20,871	16,498	265,244
FUND BALANCE - ENDING	\$ 200,650	\$ 21,524	\$ 0	\$ 222,174

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, 2013

Net Change in Fund Balance - Governmental Funds	(43,070)
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	0
Depreciation expense on capital assets	(16,258)
Undepreciated cost of assets sold	(7,372)
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	2,045
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:	
Accrued Compensated Absences	(392)
Accrued Interest	192
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(50,855)</u>

CITY OF NEWARK, TX
STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2013

**WATER & SEWER
FUND**

ASSETS

CURRENT ASSETS

Cash	\$	40,173
Accounts Receivable (net)		39,897
Grants & Other Receivables		19,360
Prepaid Expenses		1,369
TOTAL CURRENT ASSETS		<u>100,799</u>

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		174,548
Distribution & Collection Systems		3,607,545
Construction in Progress		57,250
Less - Accumulated Depreciation		<u>(1,369,767)</u>
Total Capital Assets, Net of Accum. Depr.		<u>2,505,288</u>

TOTAL ASSETS		<u>2,606,087</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	35,724
Accrued Expenses	6,468
Customer Deposits	38,304
Series 1979 Revenue Bonds - Current Portion	10,000
TOTAL CURRENT LIABILITIES	<u>90,496</u>

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds	33,000
TOTAL NONCURRENT LIABILITIES	<u>33,000</u>

TOTAL LIABILITIES	<u>123,496</u>
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NET POSITION

Invested in Capital Assets, net of Related Debt	2,462,288
Unrestricted	20,303
TOTAL NET POSITION	<u>\$ 2,482,591</u>

CITY OF NEWARK, TX

**STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Year Ended September 30, 2013

	WATER & SEWER
OPERATING REVENUES	
Charges for Services	
Water	\$ 181,129
Sewer	102,137
Garbage	78,469
Total Charges for Services	<u>361,735</u>
Tap Fees	3,000
Late Charges	11,449
Miscellaneous	1,346
TOTAL OPERATING REVENUES	<u><u>377,530</u></u>
OPERATING EXPENSES	
Personnel Services	145,819
Supplies and Contract Services	194,457
Professional Fees	5,738
Repair & Maintenance	48,698
Depreciation	111,650
TOTAL OPERATING EXPENSES	<u>506,362</u>
OPERATING INCOME (LOSS)	<u>(128,832)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	58
Interest Expense	(2,274)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,216)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(131,048)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital Grants	311,205
Transfers from General Fund	147,885
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u>459,090</u>
CHANGE IN NET POSITION	328,042
NET POSITION - BEGINNING	<u>2,154,549</u>
NET POSITION - ENDING	<u>\$ 2,482,591</u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 381,313
Cash Payments to Suppliers for Goods and Services	(265,740)
Cash Payments for Employees Services	(146,473)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(30,900)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from General Fund	<u>131,378</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Capital Assets	(494,280)
Transfers from General Fund	16,507
Capital Grants	391,262
Principal Paid on Bonds	(10,000)
Interest Paid on Bonds	(2,400)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(98,911)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	<u>58</u>
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NET INCREASE IN CASH 1,625

CASH - BEGINNING OF YEAR 38,548

CASH - END OF YEAR \$ 40,173

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

Operating Income (Loss)	\$ (128,832)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	111,650
(Increase) Decrease in Receivables	(2,496)
(Increase) Decrease in Prepaid Expenses	495
Increase (Decrease) in Accounts Payable	(13,476)
Increase (Decrease) in Accrued Expenses	(720)
Increase (Decrease) in Customer Deposits	2,479
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (30,900)</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013

In the government-wide Statement of Net Position 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 position is 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 position 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, 2013

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 Position, 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 position and the operating statements present increases (revenues) and decreases (expenses) in net position. 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, 2013

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:

Effective October 1, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No.63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirements of GASB No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position , rather than net assets.

In addition, effective October 1, 2012, the City elected to early implement GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013

6. Equity Classifications:

Government-wide Statements

Equity is classified as net position 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, 2013

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, 2013 the following departments had expenditures that exceeded appropriations:

<u>Department</u>	<u>Amount over budget</u>
Fire	\$ 1,418
Parks	\$ 5,543

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, 2013 the carrying amount of the City's cash accounts was \$264,754, made up of petty cash of \$600 and \$264,154 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2013.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013 the City's bank balances (per bank) totaled \$268,613. All of the bank balances were covered by federal depository insurance. The City was not exposed to custodial credit risk at September 30, 2013.

(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	\$ 16,507
For operations	<u>131,378</u>
	<u>\$147,885</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 6: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2013 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Buildings & Improvements	255,447	0	18,619	236,828
Equipment	193,424	0	0	193,424
Infrastructure	8,804	0	0	8,804
TOTAL AT HISTORICAL COST	<u>519,224</u>	<u>0</u>	<u>18,619</u>	<u>500,605</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	87,883	11,124	11,247	87,760
Equipment	177,575	4,694	0	182,269
Infrastructure	807	440	0	1,247
TOTAL ACCUMULATED DEPRECIATION	<u>266,265</u>	<u>16,258</u>	<u>11,247</u>	<u>271,276</u>
TOTAL CAPITAL ASSETS, NET	\$ <u>252,959</u>	\$ <u>(16,258)</u>	\$ <u>7,372</u>	\$ <u>229,329</u>

CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	TRANSFERS & RETIREMENTS	ENDING BALANCE
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	62,000	383,480	388,230	57,250
Buildings & Improvements	31,312	0	0	31,312
Equipment	155,711	18,837	0	174,548
Water & Sewer System	3,208,815	398,730	0	3,607,545
TOTAL AT HISTORICAL COST	<u>3,462,238</u>	<u>801,047</u>	<u>388,230</u>	<u>3,875,055</u>
ACCUMULATED DEPRECIATION				
Buildings & Improvements	12,629	500		13,129
Equipment	123,686	10,363	0	134,049
Water & Sewer System	1,121,802	100,787	0	1,222,589
TOTAL ACCUMULATED DEPRECIATION	<u>1,258,117</u>	<u>111,650</u>	<u>0</u>	<u>1,369,767</u>
TOTAL CAPITAL ASSETS, NET	\$ <u>2,204,121</u>	\$ <u>689,397</u>	\$ <u>388,230</u>	\$ <u>2,505,288</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	6,570
Library		9,248
Public Works		440
TOTAL DEPRECIATION EXPENSE	\$	<u>16,258</u>

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

Water & Sewer	\$	<u>111,650</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, 2013 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, 2013

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	\$ 16,950	\$ 0	\$ 3,000	\$ 13,950	\$ 3,000
2008 Tax & Revenue Certificates Payable	260,000	0	11,000	249,000	12,000
TOTAL	<u>\$ 276,950</u>	<u>\$ 0</u>	<u>\$ 14,000</u>	<u>\$ 262,950</u>	<u>\$ 15,000</u>

BUSINESS-TYPE ACTIVITIES:

1979 Revenue Bonds Payable	\$ 53,000	\$ 0	\$ 10,000	\$ 43,000	\$ 10,000
TOTAL	<u>\$ 53,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 43,000</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>
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	14,000	9,512	0	0
2019-2023	81,000	36,854	0	0
2024-2028	104,000	15,343	0	0
Total	<u>\$ 262,950</u>	<u>\$ 107,671</u>	<u>\$ 43,000</u>	<u>\$ 5,450</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 multiple conduit loan agreements with 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, 2013

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: PRIOR PERIOD ADJUSTMENT:

The City has elected to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this statement, the City has written off all previously capitalized debt issue costs and adjusted the impact through beginning net position as shown on the Statement of Activities and the Statement of Revenues, Expenses and Changes in Net Position. These costs total \$16,000 in the governmental activities. There were no previous capitalized debt issue costs in the business-type activities. All current and future debt issue costs will be expensed in the period incurred.

NOTE 11: SUBSEQUENT EVENTS:

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through May 15, 2014 (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, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:				
TAXES:				
Property Taxes	\$ 220,028	\$ 220,028	\$ 220,373	\$ 345
Sales Taxes	91,000	96,000	95,363	(637)
Franchise Fees	45,000	45,000	40,533	(4,467)
TOTAL TAXES	<u>356,028</u>	<u>361,028</u>	<u>356,269</u>	<u>(4,759)</u>
INTERGOVERNMENTAL:				
Library Grants	20,424	20,424	22,132	1,708
TOTAL INTERGOVERNMENTAL	<u>20,424</u>	<u>20,424</u>	<u>22,132</u>	<u>1,708</u>
CHARGES FOR SERVICES:				
Library Fees	500	500	171	(329)
Plat and Other Building Fees	500	100	300	200
TOTAL CHARGES FOR SERVICES	<u>1,000</u>	<u>600</u>	<u>471</u>	<u>(129)</u>
FINES				
Animal Control	600	600	602	2
Police	0	0	4	4
TOTAL FINES	<u>600</u>	<u>600</u>	<u>606</u>	<u>6</u>
LICENSES AND PERMITS:				
Building Permits	10,000	5,000	5,327	327
TOTAL LICENSES AND PERMITS	<u>10,000</u>	<u>5,000</u>	<u>5,327</u>	<u>327</u>
DONATIONS:				
Parks	0	0	5,425	5,425
TOTAL DONATIONS	<u>0</u>	<u>0</u>	<u>5,425</u>	<u>5,425</u>
INTEREST INCOME				
	<u>0</u>	<u>0</u>	<u>321</u>	<u>321</u>
OTHER SOURCES:				
Fire Department Insurance Reimbursement	6,100	5,529	5,529	0
Cell Tower Rental	15,480	15,480	15,480	0
Conduit Loan Fees	40,000	50,000	50,000	0
Other Income	1,000	225	703	478
Sale of City Property	36,300	30,500	29,153	(1,347)
Gas Lease Income	1,800	4,000	4,290	290
TOTAL OTHER SOURCES	<u>100,680</u>	<u>105,734</u>	<u>105,155</u>	<u>(579)</u>
TOTAL RESOURCES AVAILABLE	<u>488,732</u>	<u>493,386</u>	<u>495,706</u>	<u>2,320</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:				
ADMINISTRATION:				
Salaries and Wages	61,589	61,589	61,173	416
Payroll Taxes	15,780	15,780	4,356	11,424
Retirement	2,800	1,200	1,200	0
Health Insurance	17,427	13,764	11,402	2,362
Contract Labor	0	0	2,166	(2,166)
Audit Services	8,000	7,500	7,500	0
Engineering Services	1,000	0	0	0
Legal Services	20,000	22,000	17,314	4,686
Tax Collection Services	2,300	2,618	2,618	0
Building Inspection Fees	3,800	3,000	3,945	(945)
Building Maintenance	6,500	3,500	3,951	(451)
Computer Expense	2,500	2,000	1,582	418
Dues	600	686	726	(40)
Election	2,500	75	75	0
Insurance	19,000	23,000	22,777	223
Office Supply, Copier, Postage & Other Exp.	10,174	7,800	9,714	(1,914)
Public Notices	2,500	2,500	5,484	(2,984)
Telephone & Utilities	34,500	31,000	31,144	(144)
Travel & Training	2,000	2,000	1,633	367
Debt Service	28,000	28,000	27,201	799
Capital Outlay	0	0	0	0
TOTAL ADMINISTRATION	240,970	228,012	215,961	12,051
POLICE/MUNICIPAL COURT:				
Animal Control Services	2,000	2,500	2,525	(25)
Bailiff Services	2,160	1,530	1,350	180
Code Enforcement	15,000	6,000	5,522	478
TOTAL POLICE	19,160	10,030	9,397	633
FIRE:				
Telephone, Utilities & Other Expenses	6,000	6,000	7,418	(1,418)
TOTAL FIRE	6,000	6,000	7,418	(1,418)
PUBLIC WORKS:				
Salaries and Wages	24,960	0	0	0
Street Maintenance	72,000	116,500	116,553	(53)
Contract Services-Mowing	0	5,000	4,827	173
Equipment Maintenance	2,000	2,000	1,575	425
Capital Outlay	0	0	0	0
TOTAL PUBLIC WORKS	98,960	123,500	122,955	545

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
LIBRARY:				
Salaries and Wages	21,892	21,892	16,296	5,596
Payroll Taxes	0	0	1,344	(1,344)
Books, DVD's and Subscriptions	2,100	2,483	2,476	7
Supplies	2,200	2,092	3,546	(1,454)
Building Maintenance	500	225	235	(10)
Telephone and Utilities	4,500	4,500	5,503	(1,003)
Security	335	335	335	0
Capital Outlay	0	0	0	0
TOTAL LIBRARY	<u>31,527</u>	<u>31,527</u>	<u>29,735</u>	<u>1,792</u>
PARKS:				
Supplies & Maintenance	0	12	5,425	(5,413)
TOTAL PARKS	<u>0</u>	<u>12</u>	<u>5,425</u>	<u>(5,413)</u>
TOTAL CHARGES TO APPROPRIATIONS BEFORE TRANSFERS	<u>396,617</u>	<u>399,081</u>	<u>390,891</u>	<u>8,190</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	<u>92,115</u>	<u>94,305</u>	<u>104,815</u>	<u>10,510</u>
OTHER USES:				
Transfer to Water & Sewer	<u>0</u>	<u>0</u>	<u>(147,885)</u>	<u>147,885</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>92,115</u>	<u>94,305</u>	<u>(43,070)</u> \$	<u>(137,375)</u>
BEGINNING BUDGETARY SURPLUS	<u>265,244</u>	<u>265,244</u>	<u>265,244</u>	
ENDING BUDGETARY SURPLUS	<u>\$ 357,359</u>	<u>\$ 359,549</u>	<u>\$ 222,174</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, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES			
TAXES:			
Property Taxes	\$ 220,373	\$ 221,546	\$ 214,608
Sales Taxes	95,363	90,320	76,319
Franchise Fees	40,533	41,632	43,743
TOTAL TAXES	<u>356,269</u>	<u>353,498</u>	<u>334,670</u>
INTERGOVERNMENTAL:			
Library County Funding	0	21,665	24,424
Seco Energy Grant	0	3,500	19,520
Library Grant	22,132	0	5,062
TOTAL INTERGOVERNMENTAL	<u>22,132</u>	<u>25,165</u>	<u>49,006</u>
CHARGES FOR SERVICES:			
Library Fees	171	407	406
Plat and Other Building Fees	300	400	1,300
Rental Fees	0	0	0
TOTAL CHARGES FOR SERVICES	<u>471</u>	<u>807</u>	<u>1,706</u>
FINES			
Animal Control	602	594	768
Police	4	744	8,430
TOTAL FINES	<u>606</u>	<u>1,338</u>	<u>9,198</u>
LICENSES AND PERMITS:			
Building Permits	5,327	9,959	7,459
TOTAL LICENSES AND PERMITS	<u>5,327</u>	<u>9,959</u>	<u>7,459</u>
DONATIONS:			
Parks	5,425	0	0
Police	0	0	2,500
TOTAL DONATIONS	<u>5,425</u>	<u>0</u>	<u>2,500</u>
INTEREST INCOME			
	<u>321</u>	<u>252</u>	<u>226</u>
OTHER SOURCES:			
Fire Department Insurance Reimbursement	5,529	6,053	6,088
Cell Tower Rental	15,480	15,480	14,880
Conduit Income	50,000	35,000	10,000
Other Income	703	1,712	3,641
Sale of City Property	29,153	20,885	21,950
Gas Lease Income	4,290	3,958	7,485
TOTAL OTHER SOURCES	<u>105,155</u>	<u>83,088</u>	<u>64,044</u>
TOTAL REVENUES	<u>495,706</u>	<u>474,107</u>	<u>468,809</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2013, 2012 and 2011

EXPENDITURES	<u>2013</u>	<u>2012</u>	<u>2011</u>
ADMINISTRATION:			
Salaries and Wages	61,173	51,442	46,843
Payroll Taxes	4,356	4,976	3,894
Retirement	1,200	1,200	600
Health Insurance	11,402	6,471	6,367
Contract Labor	2,166	0	0
Audit Services	7,500	7,500	7,500
Engineering Services/Other Consulting Services	0	6,422	0
Legal Services	17,314	63,414	39,443
Tax Collection Services	2,618	2,571	2,602
Building Inspection Fees	3,945	3,760	3,622
Building Maintenance	3,951	34,279	3,094
Computer Expense	1,582	4,755	4,025
Dues	726	587	587
Election	75	75	2,449
Insurance	22,777	11,080	9,928
Office Supply, Copier, Postage and Other Expenses	9,714	6,808	7,559
Public Notices	5,484	5,030	7,716
Telephone & Utilities	31,144	34,226	31,901
Travel & Training	1,633	1,267	0
Capital Outlay	0	40,200	54,685
Debt Service	27,201	27,876	27,506
TOTAL ADMINISTRATION	<u>215,961</u>	<u>313,939</u>	<u>260,321</u>
POLICE:			
Salaries and Wages - Police	0	0	3,222
Payroll Taxes	0	0	333
Animal Control Services	2,525	1,897	1,450
Judge & Bailiff Services	1,350	2,150	3,469
Code Enforcement	5,522	3,047	1,278
State Comptroller Court Costs	0	213	4,521
Supplies and Minor Equipment	0	0	1,189
Training	0	0	50
Vehicle Expenses	0	0	831
Debt Service	0	0	4,471
TOTAL POLICE	<u>9,397</u>	<u>7,307</u>	<u>20,814</u>
FIRE:			
Telephone, Utilities & Other Expenses	7,418	5,201	5,583
TOTAL FIRE	<u>7,418</u>	<u>5,201</u>	<u>5,583</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
PUBLIC WORKS:			
Salaries and Wages	0	0	0
Retirement	0	0	0
Contract Labor	4,827	0	616
Street Maintenance	116,553	12,955	13,889
Supplies and Equipment Repair	1,575	0	3,200
Capital Outlay	0	7,618	8,804
TOTAL PUBLIC WORKS	<u>122,955</u>	<u>20,573</u>	<u>26,509</u>
LIBRARY:			
Salaries and Wages	16,296	17,717	16,759
Payroll Taxes	1,344	1,130	1,447
Books and Supplies	6,022	6,766	7,941
Building Maintenance	235	1,475	468
Telephone and Utilities	5,503	4,446	6,641
Security	335	0	0
Travel	0	149	865
Capital Outlay	0	6,749	0
TOTAL LIBRARY	<u>29,735</u>	<u>38,432</u>	<u>34,121</u>
PARKS:			
Supplies & Maintenance	<u>5,425</u>	<u>0</u>	<u>0</u>
OTHER USES :			
Transfer to Water and Sewer	<u>147,885</u>	<u>132,288</u>	<u>93,171</u>
TOTAL EXPENDITURES	<u>538,776</u>	<u>517,740</u>	<u>440,519</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(43,070)	(43,633)	28,290
FUND BALANCE - BEGINNING	<u>265,244</u>	<u>308,877</u>	<u>280,587</u>
FUND BALANCE - ENDING	\$ <u>222,174</u>	\$ <u>265,244</u>	\$ <u>308,877</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2013, 2012 & 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING REVENUES			
Charges for Services			
Water	\$ 181,129	\$ 190,177	\$ 183,985
Sewer	102,137	100,465	84,337
Garbage	78,469	77,304	73,929
Total Charges for Services	<u>361,735</u>	<u>367,946</u>	<u>342,251</u>
Tap Fees	3,000	0	15,000
Late Charges	11,449	10,696	10,205
Miscellaneous	1,346	1,446	1,660
TOTAL OPERATING REVENUES	<u>377,530</u>	<u>380,088</u>	<u>369,116</u>
OPERATING EXPENSES			
Personnel Services			
Salaries & Wages	114,524	96,263	77,803
Health Insurance	20,527	13,443	16,616
Retirement	1,800	1,600	2,400
Payroll Taxes	8,968	8,415	6,219
Total Personnel Services	<u>145,819</u>	<u>119,721</u>	<u>103,038</u>
Professional Fees			
Engineering	5,738	3,820	7,488
Total Professional Fees	<u>5,738</u>	<u>3,820</u>	<u>7,488</u>
Supplies & Contract Services			
Bank Fees	0	0	0
Contract Labor	5,925	4,430	12,011
Electricity	48,039	45,219	50,670
Garbage Collection	64,853	65,437	66,989
Insurance	0	10,080	8,928
Lab Fees	15,293	18,024	14,031
Office Supplies	1,647	166	843
Other Expense	330	299	299
Permits & Inspections	2,652	2,972	2,046
Postage	2,099	2,116	1,951
Return Checks	0	1,331	1,151
Supplies	17,123	4,195	2,752
Telephone	10,119	7,948	9,662
Training	4,515	1,197	1,259
Vehicle Expenses	21,862	17,047	11,268
Total Supplies & Contract Services	<u>194,457</u>	<u>180,461</u>	<u>183,860</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2013, 2012 & 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Repair & Maintenance			
Lift Station Expense	5,879	5,355	4,203
Repairs & Maintenance - Supplies & Equipment	11,398	22,253	15,402
Sewer System	23,818	60,262	27,150
Water System	7,603	23,612	26,957
Total Repairs & Maintenance	<u>48,698</u>	<u>111,482</u>	<u>73,712</u>
Depreciation	<u>111,650</u>	<u>81,846</u>	<u>71,082</u>
TOTAL OPERATING EXPENSES	<u>506,362</u>	<u>497,330</u>	<u>439,180</u>
OPERATING INCOME (LOSS)	<u>(128,832)</u>	<u>(117,242)</u>	<u>(70,064)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	58	47	0
Interest Expense	(2,274)	(2,762)	(3,435)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,216)</u>	<u>(2,715)</u>	<u>(3,435)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(131,048)</u>	<u>(119,957)</u>	<u>(73,499)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Grants	311,205	369,440	37,150
Transfers from General Fund	147,885	132,288	93,171
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u>459,090</u>	<u>501,728</u>	<u>130,321</u>
CHANGE IN NET ASSETS	328,042	381,771	56,822
NET POSITION - BEGINNING	<u>2,154,549</u>	<u>1,772,778</u>	<u>1,715,956</u>
NET POSITION - ENDING	<u>\$ 2,482,591</u>	<u>\$ 2,154,549</u>	<u>\$ 1,772,778</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2013

Series 1979 General Obligation Bonds

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2014	\$ 698	\$ 3,000	\$ 3,698
2015	548	3,000	3,548
2016	398	4,000	4,398
2017	198	3,950	4,148
	\$ 1,842	\$ 13,950	\$ 15,792

Series 2008 Certificates of Obligation

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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
	\$ 105,829	\$ 249,000	\$ 354,829

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2013

TOTAL REQUIREMENTS				TOTAL
YEAR	INTEREST	PRINCIPAL	REQUIREMENTS	
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	
2018	9,512	14,000	23,512	
	55,474	77,950	133,424	
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	
	36,854	81,000	117,854	
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	
	15,343	104,000	119,343	
TOTAL ALL YEARS	\$ 107,671	\$ 262,950	\$ 370,621	

CITY OF NEWARK, TX
SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
FUTURE DEBT REQUIREMENTS
September 30, 20123

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 5,450</u>	<u>\$ 43,000</u>	<u>\$ 48,450</u>

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

September 30, 2013

GENERAL FUND

Debt Service	\$	21,524
Unspent 2008 Certificate of Obligation Funds		0
Spirit of Christmas		962
TOTAL GENERAL FUND	\$	<u>22,486</u>

PROPRIETARY FUND

Customer Deposits	\$	36,521
Grant Funds		3,352
TOTAL PROPRIETARY FUND	\$	<u>39,873</u>

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

September 30, 2013

Tax Year	2012	2011	2010	2009
Assessed Value	\$ 38,614,250	\$ 42,197,943	\$ 40,228,609	\$ 40,545,941
Tax Rate per \$100 of Assessed Value	0.5716	0.5226	0.5226	0.5226
Total Tax Levy	\$ 220,719	\$ 220,526	\$ 210,235	\$ 211,893
Collections During Fiscal Year	\$ 209,215	\$ 209,376	\$ 201,416	\$ 204,027
% of Current Taxes Collected	94.79%	94.94%	95.81%	96.29%

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 116,
Keller, TX 76248
817-421-6619

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities and the business-type activities of the City of Newark as of and for the year ended September 30, 2013, and the related notes to financial statements, which collectively comprise the City of Newark's basic financial statements, and have issued my report thereon dated May 15, 2014

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William C. Spore, P.C.

Keller, Texas

May 15, 2014

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, 2013, and have issued my report thereon dated May 15, 2014. 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, 2013. 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 2013. 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 May 16, 2014.

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.

Compliance Communications:

In April and May 2013 the City was exposed to custodial credit risk related to its bank accounts. Custodial credit risk for bank accounts is the risk that, in the event of the failure of the City's depository financial institution, the City would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties. During April and May 2013 the City's bank balances exceeded the amount of the federal depository insurance coverage provided by the bank. The maximum exposure to loss during this period was \$16,391.

The City should establish procedures to monitor the collateralization of its bank balances to insure the safety and preservation of its cash assets as required by its investment policy.

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

May 15, 2014