

**CITY OF NEWARK, TX**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

## TABLE OF CONTENTS

	PAGE #
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>CITY OFFICIALS</b>	2
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b> Management's Discussion and Analysis	TO BE PROVIDED AFTER COUNCIL APPROVAL
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financial Statements:	
Statement of Net Position	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 Position - Proprietary Fund	14
Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Notes to Financial Statements	17-28
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule - General Fund	30
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Comparative Schedule of Revenues, Expenses, and Changes in Fund Balance - Governmental Funds	31
Comparative Schedule of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	32
Schedules of Future Debt Service Requirements: Governmental Funds	33
Schedules of Future Debt Service Requirements: Proprietary Fund	34
Schedule of Restricted Cash Accounts	35
Schedule of Property Taxes	36
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS</b>	

**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

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, 2014, 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, 2014, 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 21, 2015, 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 21, 2015

**CITY OF NEWARK, TX  
CITY OFFICIALS**

**September 30, 2014**

<b>MAYOR</b>	<b>Gary Van Wagner</b>
<b>MAYOR PRO TEM</b>	<b>Linda Anderson</b>
<b>COUNCIL MEMBERS</b>	<b>Cary Mellema</b>
	<b>Dan Sessler</b>
	<b>Mark Wondolowski</b>
	<b>Vacant</b>
<b>CITY SECRETARY/CITY ADMINISTRATOR</b>	<b>Diane Rasor</b>

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

*September 30, 2014*

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 322,483	\$ 12,679	\$ 335,162
Accounts Receivable (net)	62,989	47,017	110,006
Prepaid Expenses	619	2,225	2,844
<b>TOTAL CURRENT ASSETS</b>	<b>386,091</b>	<b>61,921</b>	<b>448,012</b>
<b>NONCURRENT ASSETS</b>			
Restricted Cash	22,602	247,662	270,264
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	236,828	31,312	268,140
Equipment	193,465	161,885	355,350
Infrastructure	86,422	3,627,152	3,713,574
Construction in Progress	0	582,922	582,922
Less - Accumulated Depreciation	(283,637)	(1,465,282)	(1,748,919)
Total Capital Assets, Net of Accum. Depr.	294,627	2,942,389	3,237,016
<b>TOTAL NONCURRENT ASSETS</b>	<b>317,229</b>	<b>3,190,051</b>	<b>3,507,280</b>
<b>TOTAL ASSETS</b>	<b>703,320</b>	<b>3,251,972</b>	<b>3,955,292</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	5,637	31,221	36,858
Accrued Expenses	8,753	12,746	21,499
Compensated Absences	1,600	1,280	2,880
Customer Deposits	0	43,677	43,677
Bonds Payable	15,000	31,000	46,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>30,990</b>	<b>119,924</b>	<b>150,914</b>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	232,950	602,000	834,950
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>232,950</b>	<b>602,000</b>	<b>834,950</b>
<b>TOTAL LIABILITIES</b>	<b>263,940</b>	<b>721,924</b>	<b>985,864</b>
<b>NET POSITION</b>			
Invested in Capital Assets, net of Related Debt	46,677	2,515,526	2,562,203
Restricted For:			
Debt Service	22,602	0	22,602
Unrestricted	370,101	14,522	384,623
<b>TOTAL NET POSITION</b>	<b>\$ 439,380</b>	<b>\$ 2,530,048</b>	<b>\$ 2,969,428</b>

CITY OF NEWARK, TX

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ (191,452)	\$ 37,395	\$ 0	\$ 0	\$ (154,057)	\$ -	\$ (154,057)
Public Safety	(32,522)	1,703	0	0	(30,819)	-	(30,819)
Public Works	(50,364)	0	0	0	(50,364)	-	(50,364)
Culture & Recreation	(43,849)	368	20,734	0	(22,747)	-	(22,747)
Interest on Long-Term Debt	(12,322)	0	0	0	(12,322)	-	(12,322)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(330,509)</b>	<b>39,466</b>	<b>20,734</b>	<b>0</b>	<b>(270,309)</b>	<b>-</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water & Sewer	(544,639)	406,671	0	250,648	-	112,680	112,680
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>(875,148)</b>	<b>446,137</b>	<b>20,734</b>	<b>250,648</b>	<b>(270,309)</b>	<b>112,680</b>	<b>(157,629)</b>
<b>GENERAL REVENUE</b>							
Property Taxes					222,482	-	222,482
Sales Taxes					151,010	-	151,010
Franchise Fees					48,927	-	48,927
Sale of Assets					0	-	0
Interest Income					333	57	390
Transfers					65,280	(65,280)	0
<b>TOTAL GENERAL REVENUE</b>					<b>488,032</b>	<b>(65,223)</b>	<b>422,809</b>
<b>CHANGE IN NET POSITION</b>					<b>217,723</b>	<b>47,457</b>	<b>265,180</b>
<b>NET POSITION - BEGINNING</b>					<b>221,657</b>	<b>2,482,591</b>	<b>2,704,248</b>
<b>NET POSITION - ENDING</b>					<b>\$ 439,380</b>	<b>\$ 2,530,048</b>	<b>\$ 2,969,428</b>

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

*September 30, 2014*

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>			
Cash	\$ 322,483	\$ 22,602	\$ 345,085
Receivables:			
Sales Taxes	6,166	0	6,166
Franchise Taxes	754	0	754
Insurance Reimbursements	19,109	0	19,109
Property Taxes	31,969	4,991	36,960
Prepaid Expenses	619	0	619
<b>TOTAL ASSETS</b>	<b>381,100</b>	<b>27,593</b>	<b>408,693</b>
<b>LIABILITIES</b>			
Accounts Payable	5,637	0	5,637
Accrued Expenses	5,294	0	5,294
<b>TOTAL LIABILITIES</b>	<b>10,931</b>	<b>0</b>	<b>10,931</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	31,969	4,991	36,960
<b>FUND BALANCES</b>			
Non Spendable			
Prepaid Expenses	619	0	619
Restricted For:			
Debt Service	0	22,602	22,602
Unassigned	337,581	0	337,581
<b>TOTAL FUND BALANCES</b>	<b>338,200</b>	<b>22,602</b>	<b>360,802</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 381,100</b>	<b>\$ 27,593</b>	<b>\$ 408,693</b>

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

Fund Balance - Governmental Funds	\$ 360,802
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Fund Balance Sheet	294,627
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet	36,960
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	(253,009)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 439,380</b>

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

*For the Year Ended September 30, 2014*

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
Property Taxes	\$ 194,236	\$ 28,583	\$ 222,819
Sales Taxes	151,010	0	151,010
Franchise Fees	48,927	0	48,927
Intergovernmental	20,424	0	20,424
Charges for Services	418	0	418
Fines	1,703	0	1,703
Licenses and Permits	5,225	0	5,225
Donations	310	0	310
Fire Department Insurance Reimburse.	0	0	0
Gas Lease Income	5,275	0	5,275
Other Revenues	26,039	0	26,039
Sale of City Property	806	0	806
Interest Income	310	23	333
<b>TOTAL REVENUES</b>	<b>454,683</b>	<b>28,606</b>	<b>483,289</b>
<b>EXPENDITURES</b>			
General Government	183,779	0	183,779
Public Safety	32,388	0	32,388
Culture & Recreation	34,601	0	34,601
Public Works	46,642	0	46,642
Capital Outlay	85,003	0	85,003
Debt Service:			
Principal	0	15,000	15,000
Interest	0	12,528	12,528
<b>TOTAL EXPENDITURES</b>	<b>382,413</b>	<b>27,528</b>	<b>409,941</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>72,270</b>	<b>1,078</b>	<b>73,348</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Water & Sewer Fund	65,280	0	65,280
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>65,280</b>	<b>0</b>	<b>65,280</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>137,550</b>	<b>1,078</b>	<b>138,628</b>
<b>FUND BALANCE - BEGINNING</b>	<b>200,650</b>	<b>21,524</b>	<b>222,174</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 338,200</b>	<b>\$ 22,602</b>	<b>\$ 360,802</b>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2014

Net Change in Fund Balance - Governmental Funds 138,628

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 85,003

Depreciation expense on capital assets (19,705)

Repayment on debt principle is an expenditure in the  
governmental funds, but the repayment reduces  
long-term liabilities in the statement of net assets. 15,000

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 (337)

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 (1,072)

Accrued interest 206

**CHANGE IN NET POSITION OF GOVERNMENTAL  
ACTIVITIES**

**\$ 217,723**

CITY OF NEWARK, TX

STATEMENT OF NET POSITION  
 PROPRIETARY FUND

September 30, 2014

WATER & SEWER  
 FUND

ASSETS

CURRENT ASSETS

Cash	\$	260,341
Accounts Receivable (net)		36,451
Grants & Other Receivables		10,566
Prepaid Expenses		2,225
<b>TOTAL CURRENT ASSETS</b>		<u>309,583</u>

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		161,885
Distribution & Collection Systems		3,627,152
Construction in Progress		582,922
Less - Accumulated Depreciation		<u>(1,465,282)</u>
Total Capital Assets, Net of Accum. Depr.		<u>2,942,389</u>

TOTAL ASSETS

3,251,972

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		31,221
Accrued Expenses		14,026
Customer Deposits		43,677
Series 1979 Revenue Bonds - Current Portion		11,000
Series 2013 Certificates of Obligation-Current Portion		20,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>119,924</u>

NONCURRENT LIABILITIES

Series 1979 Revenue Bonds		22,000
Series 2013 Certificates of Obligation		580,000
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>602,000</u>

TOTAL LIABILITIES

721,924

NET POSITION

Invested in Capital Assets, net of Related Debt		2,515,526
Unrestricted		14,522
<b>TOTAL NET POSITION</b>	\$	<u><u>2,530,048</u></u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2014

	WATER & SEWER
<b>OPERATING REVENUES</b>	
Charges for Services	
Water	\$ 200,103
Sewer	101,874
Garbage	78,772
Total Charges for Services	<u>380,749</u>
Tap Fees	6,000
Late Charges	11,094
Miscellaneous	8,828
<b>TOTAL OPERATING REVENUES</b>	<u>406,671</u>
<b>OPERATING EXPENSES</b>	
Personnel Services	97,341
Supplies and Contract Services	225,224
Professional Fees	1,106
Repair & Maintenance	71,008
Depreciation	121,930
<b>TOTAL OPERATING EXPENSES</b>	<u>516,609</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(109,938)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	57
Interest Expense	(5,030)
Bond Issue Costs	(23,000)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(27,973)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(137,911)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	
Capital Grants	250,648
Transfers (to) from General Fund	(65,280)
<b>TOTAL CAPITAL CONTRIBUTIONS &amp; TRANSFERS</b>	<u>185,368</u>
<b>CHANGE IN NET POSITION</b>	47,457
<b>NET POSITION - BEGINNING</b>	<u>2,482,591</u>
<b>NET POSITION - ENDING</b>	<u>\$ 2,530,048</u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 415,490
Cash Payments to Suppliers for Goods and Services	(299,950)
Cash Payments for Employees Services	(98,780)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>16,760</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers from General Fund	<u>(65,280)</u>
-----------------------------	-----------------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of Capital Assets	(540,071)
Capital Grants	255,642
Proceeds from the Issuance of Bonds	577,000
Principal Paid on Bonds	(10,000)
Interest Paid on Bonds	(13,940)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>268,631</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Investments	<u>57</u>
-------------------------	-----------

**NET INCREASE IN CASH** 220,168

**CASH - BEGINNING OF YEAR** 40,173

**CASH - END OF YEAR** \$ 260,341

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

Operating Income (Loss)	\$ (109,938)
<b>Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	121,930
(Increase) Decrease in Receivables	7,246
(Increase) Decrease in Prepaid Expenses	(856)
Increase (Decrease) in Accounts Payable	(5,673)
Increase (Decrease) in Accrued Expenses	(1,322)
Increase (Decrease) in Customer Deposits	5,373
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 16,760</u>

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**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, 2014

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, 2014**

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, 2014

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. Effective October 1, 2012 (the prior fiscal year) the City elected to early implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously recorded as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources. 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.

- Statement No. 68, *Accounting & Financial Reporting for Pensions*;
- Statement No. 70, *Combinations & Disposals of Government Operations*;
- Statement No.71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68.

The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2015, as required.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**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 City 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, 2014**

**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. A total of \$17,790 of 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, 2014**

**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, 2014 the following departments had expenditures that exceeded appropriations:

<u>Department</u>	<u>Amount over budget</u>
Public Works	\$ 74,760
Library	\$ 4,422
Parks	\$ 17

**NOTE 2: RETIREMENT PLAN:**

Plan Description

Effective March 2014 the City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updates Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

Total City matching contributions for the fiscal year were \$2,194. Full pension disclosures will be provided in future years after the City has been a member for over one year.

Prior to March 2014 the City sponsored 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 under this plan were \$200.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**NOTE 3: DEPOSITS:**

At September 30, 2014 the carrying amount of the City's cash accounts was \$605,426, made up of petty cash of \$600 and \$604,826 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2014.

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, 2014 the City's bank balances (per bank) totaled \$602,083. All of the bank balances were covered by federal depository insurance or collateral provided by the depository financial institution. The City was not exposed to custodial credit risk at September 30, 2014.

(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 water and sewer fund made the following transfers to the governmental fund:

For capital improvements	\$ 65,280
--------------------------	-----------

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**NOTE 6: CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended September 30, 2014 is as follows:

<b>CAPITAL ASSETS GOVERNMENTAL ACTIVITIES</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>ENDING BALANCE</b>
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Buildings & Improvements	236,828	0	0	236,828
Equipment	193,424	7,385	(7,344)	193,465
Infrastructure	8,804	77,618	0	86,422
<b>TOTAL AT HISTORICAL COST</b>	<u>500,605</u>	<u>85,003</u>	<u>(7,344)</u>	<u>578,264</u>
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	87,760	11,162	0	98,922
Equipment	182,269	4,821	(7,344)	179,746
Infrastructure	1,247	3,722	0	4,969
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>271,276</u>	<u>19,705</u>	<u>(7,344)</u>	<u>283,637</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 229,329</u>	<u>\$ 65,298</u>	<u>\$ 0</u>	<u>\$ 294,627</u>

<b>CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>TRANSFERS &amp; RETIREMENTS</b>	<b>ENDING BALANCE</b>
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	57,250	525,672	0	582,922
Buildings & Improvements	31,312	0	0	31,312
Equipment	174,548	13,752	(26,415)	161,885
Water & Sewer System	3,607,545	19,607	0	3,627,152
<b>TOTAL AT HISTORICAL COST</b>	<u>3,875,055</u>	<u>559,031</u>	<u>(26,415)</u>	<u>4,407,671</u>
<b>ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	13,129	500		13,629
Equipment	134,049	13,513	(26,415)	121,147
Water & Sewer System	1,222,589	107,917	0	1,330,506
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>1,369,767</u>	<u>121,930</u>	<u>(26,415)</u>	<u>1,465,282</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 2,505,288</u>	<u>\$ 437,101</u>	<u>\$ 0</u>	<u>\$ 2,942,389</u>

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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

Administration	\$	6,601
Police		134
Library		9,248
Public Works		<u>3,722</u>
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$</b>	<b><u>19,705</u></b>

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

Water & Sewer	\$	<u>121,930</u>
---------------	----	----------------

**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.

Certificates of Obligation, Series 2013 - The certificates are payable from a an ad valorem tax to be levied by the City and a pledge of the net revenues of the water and sewer system. The certificates bear interest at 3.97% and the City has the right, at its option, to redeem prior to maturity the certificates in whole on May 15, 2024, or any date thereafter. The certificates require semi-annual payments with the final payment due in November 2033.

**CITY OF NEWARK, TX**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

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

	BEGINNING BALANCE	DEBT ISSUED	REPAYMENTS	ENDING BALANCE	CURRENT PORTION
<b>GOVERNMENTAL ACTIVITIES:</b>					
1979 General Obligation Bonds Payable	\$ 13,950	\$ 0	\$ 3,000	\$ 10,950	\$ 3,000
2008 Tax & Revenue Certificates Payable	249,000	0	12,000	237,000	12,000
<b>TOTAL</b>	<u>\$ 262,950</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 247,950</u>	<u>\$ 15,000</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
1979 Revenue Bonds Payable	\$ 43,000	\$ 0	\$ 10,000	\$ 33,000	\$ 11,000
2013 Certificates of Obligation	0	600,000	0	600,000	20,000
<b>TOTAL</b>	<u>\$ 43,000</u>	<u>\$ 600,000</u>	<u>\$ 10,000</u>	<u>\$ 633,000</u>	<u>\$ 31,000</u>

Future debt maturities are as follows:

<b>Year</b>	<b>Governmental Type Activities</b>		<b>Business Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 15,000	\$ 11,877	\$ 31,000	\$ 25,073
2016	17,000	11,153	32,000	23,709
2017	16,950	10,332	33,000	22,306
2018	14,000	9,512	23,000	20,862
2019	15,000	8,843	23,000	19,949
2020-2024	85,000	32,982	132,000	84,879
2025-2029	85,000	10,372	162,000	55,699
2030-2034	0		197,000	20,227
<b>Total</b>	<u>\$ 247,950</u>	<u>\$ 95,071</u>	<u>\$ 633,000</u>	<u>\$ 272,704</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, 2014**

**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:**

The City has evaluated all events and transactions that occurred after September 30, 2014 through May 21, 2015, the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>RESOURCES:</b>				
<b>TAXES:</b>				
Property Taxes	\$ 218,910	\$ 220,000	\$ 222,819	\$ 2,819
Sales Taxes	96,000	145,160	151,010	5,850
Franchise Fees	40,000	40,000	48,927	8,927
<b>TOTAL TAXES</b>	<u>354,910</u>	<u>405,160</u>	<u>422,756</u>	<u>17,596</u>
<b>INTERGOVERNMENTAL:</b>				
Library Grants	20,424	20,424	20,424	0
<b>TOTAL INTERGOVERNMENTAL</b>	<u>20,424</u>	<u>20,424</u>	<u>20,424</u>	<u>0</u>
<b>CHARGES FOR SERVICES:</b>				
Library Fees	700	100	368	268
Plat and Other Building Fees	100	100	50	(50)
<b>TOTAL CHARGES FOR SERVICES</b>	<u>800</u>	<u>200</u>	<u>418</u>	<u>218</u>
<b>FINES</b>				
Animal Control	600	700	687	(13)
Police	0	6,114	1,016	(5,098)
<b>TOTAL FINES</b>	<u>600</u>	<u>6,814</u>	<u>1,703</u>	<u>1,103</u>
<b>LICENSES AND PERMITS:</b>				
Building Permits	5,000	5,000	5,225	225
<b>TOTAL LICENSES AND PERMITS</b>	<u>5,000</u>	<u>5,000</u>	<u>5,225</u>	<u>225</u>
<b>DONATIONS:</b>				
Library	0	0	310	310
<b>TOTAL DONATIONS</b>	<u>0</u>	<u>0</u>	<u>310</u>	<u>310</u>
<b>INTEREST INCOME</b>	<u>100</u>	<u>0</u>	<u>333</u>	<u>333</u>
<b>OTHER SOURCES:</b>				
Cell Tower Rental	15,480	15,480	15,480	0
Conduit Loan Fees	0	10,000	10,000	0
Other Income	275	510	559	49
Sale of City Property	0	400	806	406
Gas Lease Income	4,000	3,400	5,275	1,875
<b>TOTAL OTHER SOURCES</b>	<u>19,755</u>	<u>29,790</u>	<u>32,120</u>	<u>2,330</u>
<b>TOTAL RESOURCES AVAILABLE</b>	<u>401,589</u>	<u>467,388</u>	<u>483,289</u>	<u>22,115</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>CHARGES TO APPROPRIATIONS:</b>				
<b>ADMINISTRATION:</b>				
Salaries and Wages	64,668	67,000	63,599	3,401
Payroll Taxes	15,000	15,000	5,441	9,559
Retirement	2,400	1,000	1,252	(252)
Health Insurance	13,764	7,400	7,401	(1)
Contract Labor	0	0	3,045	(3,045)
Audit Services	7,500	7,500	7,500	0
Planning Grant Consultant	3,074		3,047	(3,047)
Legal Services	20,000	20,000	20,776	(776)
Tax Collection Services	2,618	2,600	2,860	(260)
Building Inspection Fees	3,000	1,750	3,507	(1,757)
Building Maintenance	3,500	4,000	4,285	(285)
Computer Expense	2,000	2,300	2,622	(322)
Dues	700	675	636	39
Election	2,500	1,600	2,002	(402)
Insurance	17,500	17,863	15,463	2,400
Office Supply, Copier, Postage & Other Exp.	5,740	8,700	9,965	(1,265)
Public Notices	2,500	2,000	2,966	(966)
Telephone & Utilities	27,850	25,000	25,105	(105)
Travel & Training	2,000	2,000	2,307	(307)
Debt Service	27,600	27,600	27,528	72
Capital Outlay	0	4,975	4,975	0
<b>TOTAL ADMINISTRATION</b>	<u>223,914</u>	<u>218,963</u>	<u>216,282</u>	<u>2,681</u>
<b>POLICE:</b>				
Animal Control Services	2,000	2,000	1,378	622
Police-Contract Labor	1,200	22,200	6,512	15,688
Insurance	0	2,000	0	2,000
Judge & Prosecutor	0	600	810	(210)
Supplies & Software	0	1,000	4,582	(3,582)
Training	0	1,000	966	34
Vehicle Expenses	0	3,000	0	3,000
Code Enforcement	25,000	10,000	12,140	(2,140)
Capital Outlay	0	5,000	2,410	2,590
<b>TOTAL POLICE</b>	<u>28,200</u>	<u>46,800</u>	<u>28,798</u>	<u>18,002</u>
<b>FIRE:</b>				
Telephone, Utilities & Other Expenses	6,000	6,000	6,000	0
<b>TOTAL FIRE</b>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
<b>PUBLIC WORKS:</b>				
Street Maintenance	17,500	47,500	43,414	4,086
Equipment Maintenance	2,000	2,000	3,228	(1,228)
Capital Outlay	0	0	77,618	(77,618)
<b>TOTAL PUBLIC WORKS</b>	<u>19,500</u>	<u>49,500</u>	<u>124,260</u>	<u>(74,760)</u>
<b>LIBRARY:</b>				
Salaries and Wages	21,900	20,000	17,748	2,252
Payroll Taxes	0	0	1,477	(1,477)
Contract Labor	0	0	2,166	(2,166)
Books, DVD's and Subscriptions	2,600	2,100	1,684	416
Supplies	2,875	2,950	5,656	(2,706)
Building Maintenance	500	500	315	185
Telephone and Utilities	3,600	4,400	5,382	(982)
Security	335	200	144	56
Capital Outlay	0	0	0	0
<b>TOTAL LIBRARY</b>	<u>31,810</u>	<u>30,150</u>	<u>34,572</u>	<u>(4,422)</u>
<b>PARKS:</b>				
Supplies & Maintenance	0	12	29	(17)
<b>TOTAL PARKS</b>	<u>0</u>	<u>12</u>	<u>29</u>	<u>(17)</u>
<b>TOTAL CHARGES TO APPROPRIATIONS BEFORE TRANSFERS</b>	<u>309,424</u>	<u>351,425</u>	<u>409,941</u>	<u>(58,516)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS</b>	<u>92,165</u>	<u>115,963</u>	<u>73,348</u>	<u>(36,401)</u>
<b>OTHER SOURCES:</b>				
Transfer from Water & Sewer	0	0	65,280	(65,280)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>92,165</u>	<u>115,963</u>	<u>138,628</u>	<u>\$ 22,665</u>
<b>BEGINNING BUDGETARY SURPLUS</b>	<u>222,174</u>	<u>222,174</u>	<u>222,174</u>	
<b>ENDING BUDGETARY SURPLUS</b>	<u>\$ 314,339</u>	<u>\$ 338,137</u>	<u>\$ 360,802</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, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>			
<b>TAXES:</b>			
Property Taxes	\$ 222,819	\$ 220,373	\$ 221,546
Sales Taxes	151,010	95,363	90,320
Franchise Fees	48,927	40,533	41,632
<b>TOTAL TAXES</b>	<u>422,756</u>	<u>356,269</u>	<u>353,498</u>
<b>INTERGOVERNMENTAL:</b>			
Seco Energy Grant	0	0	3,500
Library Grant	20,424	22,132	21,665
<b>TOTAL INTERGOVERNMENTAL</b>	<u>20,424</u>	<u>22,132</u>	<u>25,165</u>
<b>CHARGES FOR SERVICES:</b>			
Library Fees	368	171	407
Plat and Other Building Fees	50	300	400
Rental Fees	0	0	0
<b>TOTAL CHARGES FOR SERVICES</b>	<u>418</u>	<u>471</u>	<u>807</u>
<b>FINES</b>			
Animal Control	687	602	594
Police	1,016	4	744
<b>TOTAL FINES</b>	<u>1,703</u>	<u>606</u>	<u>1,338</u>
<b>LICENSES AND PERMITS:</b>			
Building Permits	5,225	5,327	9,959
<b>TOTAL LICENSES AND PERMITS</b>	<u>5,225</u>	<u>5,327</u>	<u>9,959</u>
<b>DONATIONS:</b>			
Parks	0	5,425	0
Police	310	0	0
<b>TOTAL DONATIONS</b>	<u>310</u>	<u>5,425</u>	<u>0</u>
<b>INTEREST INCOME</b>	<u>333</u>	<u>321</u>	<u>252</u>
<b>OTHER SOURCES:</b>			
Fire Department Insurance Reimbursement	0	0	6,053
Cell Tower Rental	15,480	15,480	15,480
Conduit Income	10,000	50,000	35,000
Other Income	559	703	1,712
Sale of City Property	806	29,153	20,885
Gas Lease Income	5,275	4,290	3,958
<b>TOTAL OTHER SOURCES</b>	<u>32,120</u>	<u>99,626</u>	<u>83,088</u>
<b>TOTAL REVENUES</b>	<u>483,289</u>	<u>490,177</u>	<u>474,107</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>EXPENDITURES</b>			
<b>ADMINISTRATION:</b>			
Salaries and Wages	63,599	61,173	51,442
Payroll Taxes	5,441	4,356	4,976
Retirement	1,252	1,200	1,200
Health Insurance	7,401	11,402	6,471
Contract Labor	3,045	2,166	0
Audit Services	7,500	7,500	7,500
Engineering Services/Other Consulting Services	3,047	0	6,422
Legal Services	20,776	17,314	63,414
Tax Collection Services	2,860	2,618	2,571
Building Inspection Fees	3,507	3,945	3,760
Building Maintenance	4,285	3,951	34,279
Computer Expense	2,622	1,582	4,755
Dues	636	726	587
Election	2,002	75	75
Insurance	15,463	17,248	11,080
Office Supply, Copier, Postage and Other Expenses	9,965	9,714	6,808
Public Notices	2,966	5,484	5,030
Telephone & Utilities	25,105	31,144	34,226
Travel & Training	2,307	1,633	1,267
Capital Outlay	4,975	0	40,200
Debt Service	27,528	27,201	27,876
<b>TOTAL ADMINISTRATION</b>	<u>216,282</u>	<u>210,432</u>	<u>313,939</u>
<b>POLICE:</b>			
Contract Services	6,512	0	0
Animal Control Services	1,378	2,525	1,897
Judge & Bailiff Services	0	1,350	2,150
Code Enforcement	12,140	5,522	3,047
Prosecutor	810	0	213
Supplies and Minor Equipment	4,582	0	0
Training	966	0	0
Capital Outlay	2,410	0	0
<b>TOTAL POLICE</b>	<u>28,798</u>	<u>9,397</u>	<u>7,307</u>
<b>FIRE:</b>			
Telephone, Utilities & Other Expenses	6,000	7,418	5,201
<b>TOTAL FIRE</b>	<u>6,000</u>	<u>7,418</u>	<u>5,201</u>
<b>PUBLIC WORKS:</b>			
Contract Labor	0	4,827	0
Street Maintenance	43,414	116,553	12,955
Supplies and Equipment Repair	3,228	1,575	0
Capital Outlay	77,618	0	7,618
<b>TOTAL PUBLIC WORKS</b>	<u>124,260</u>	<u>122,955</u>	<u>20,573</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>LIBRARY:</b>			
Salaries and Wages	17,748	16,296	17,717
Payroll Taxes	1,477	1,344	1,130
Contract Labor	2,166	0	0
Books and Supplies	7,340	6,022	6,766
Building Maintenance	315	235	1,475
Telephone and Utilities	5,382	5,503	4,446
Security	144	335	0
Travel	0	0	149
Capital Outlay	0	0	6,749
<b>TOTAL LIBRARY</b>	<u>34,572</u>	<u>29,735</u>	<u>38,432</u>
<b>PARKS:</b>			
Supplies & Maintenance	<u>29</u>	<u>5,425</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	409,941	385,362	385,452
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS</b>	<u>73,348</u>	<u>104,815</u>	<u>88,655</u>
<b>OTHER USES :</b>			
Transfer to (from) Water and Sewer	<u>65,280</u>	<u>(147,885)</u>	<u>(132,288)</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	138,628	(43,070)	(43,633)
<b>FUND BALANCE - BEGINNING</b>	<u>222,174</u>	<u>265,244</u>	<u>308,877</u>
<b>FUND BALANCE - ENDING</b>	\$ <u>360,802</u>	\$ <u>222,174</u>	\$ <u>265,244</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2014, 2013 & 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>			
<b>Charges for Services</b>			
Water	\$ 200,103	\$ 181,129	\$ 190,177
Sewer	101,874	102,137	100,465
Garbage	78,772	78,469	77,304
<b>Total Charges for Services</b>	<u>380,749</u>	<u>361,735</u>	<u>367,946</u>
Tap Fees	6,000	3,000	0
Late Charges	11,094	11,449	10,696
Miscellaneous	8,828	1,346	1,446
<b>TOTAL OPERATING REVENUES</b>	<u>406,671</u>	<u>377,530</u>	<u>380,088</u>
<b>OPERATING EXPENSES</b>			
<b>Personnel Services</b>			
Salaries & Wages	74,377	114,524	96,263
Health Insurance	15,467	20,527	13,443
Retirement	1,142	1,800	1,600
Payroll Taxes	6,355	8,968	8,415
<b>Total Personnel Services</b>	<u>97,341</u>	<u>145,819</u>	<u>119,721</u>
<b>Professional Fees</b>			
Engineering	1,106	5,738	3,820
<b>Total Professional Fees</b>	<u>1,106</u>	<u>5,738</u>	<u>3,820</u>
<b>Supplies &amp; Contract Services</b>			
Bank Fees	0	0	0
Contract Labor	38,294	5,925	4,430
Electricity	40,710	48,039	45,219
Garbage Collection	69,578	64,853	65,437
Insurance	0	0	10,080
Lab Fees	15,887	15,293	18,024
Office Supplies	1,983	1,647	166
Other Expense	318	330	299
Permits & Inspections	3,322	2,652	2,972
Postage	2,312	2,099	2,116
Return Checks	0	0	1,331
Supplies	14,925	17,123	4,195
Telephone	16,308	10,119	7,948
Training	4,334	4,515	1,197
Vehicle Expenses	17,253	21,862	17,047
<b>Total Supplies &amp; Contract Services</b>	<u>225,224</u>	<u>194,457</u>	<u>180,461</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2014, 2013 & 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Repair &amp; Maintenance</b>			
Lift Station Expense	4,337	5,879	5,355
Repairs & Maintenance - Supplies & Equipment	5,813	11,398	22,253
Sewer System	26,442	23,818	60,262
Water System	34,416	7,603	23,612
<b>Total Repairs &amp; Maintenance</b>	<u>71,008</u>	<u>48,698</u>	<u>111,482</u>
<b>Depreciation</b>	<u>121,930</u>	<u>111,650</u>	<u>81,846</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>516,609</u>	<u>506,362</u>	<u>497,330</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(109,938)</u>	<u>(128,832)</u>	<u>(117,242)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	57	58	47
Interest Expense	(5,030)	(2,274)	(2,762)
Bond Issue Costs	(23,000)	0	0
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(27,973)</u>	<u>(2,216)</u>	<u>(2,715)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(137,911)</u>	<u>(131,048)</u>	<u>(119,957)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>			
Capital Grants	250,648	311,205	369,440
Transfers to General Fund	(65,280)	147,885	132,288
<b>TOTAL CAPITAL CONTRIBUTIONS &amp; TRANSFERS</b>	<u>185,368</u>	<u>459,090</u>	<u>501,728</u>
<b>CHANGE IN NET ASSETS</b>	47,457	328,042	381,771
<b>NET POSITION - BEGINNING</b>	<u>2,482,591</u>	<u>2,154,549</u>	<u>1,772,778</u>
<b>NET POSITION - ENDING</b>	<u>\$ 2,530,048</u>	<u>\$ 2,482,591</u>	<u>\$ 2,154,549</u>

**CITY OF NEWARK, TX**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2014

**Series 1979 General Obligation Bonds**

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2015	\$ 548	\$ 3,000	3,548
2016	398	4,000	4,398
2017	198	3,950	4,148
	\$ <u>1,144</u>	\$ <u>10,950</u>	\$ <u>12,094</u>

**Series 2008 Certificates of Obligation**

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>93,927</u>	\$ <u>237,000</u>	\$ <u>330,927</u>

**CITY OF NEWARK, TX**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2014

TOTAL REQUIREMENTS				TOTAL
YEAR	INTEREST	PRINCIPAL	REQUIREMENTS	REQUIREMENTS
2015	\$ 11,877	\$ 15,000	\$ 26,877	
2016	11,153	17,000	28,153	
2017	10,332	16,950	27,282	
2018	9,512	14,000	23,512	
2019	8,843	15,000	23,843	
	51,717	77,950	129,667	
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	
	32,982	85,000	117,982	
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	
	10,372	85,000	95,372	
<b>TOTAL ALL YEARS</b>	\$ <span style="border: 1px solid black;">95,071</span>	\$ <span style="border: 1px solid black;">247,950</span>	\$ <span style="border: 1px solid black;">343,021</span>	

**CITY OF NEWARK, TX**  
**SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2014

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2015	\$ 1,650	\$ 11,000	\$ 12,650
2016	1,100	11,000	12,100
2017	550	11,000	11,550
	<u>\$ 3,300</u>	<u>\$ 33,000</u>	<u>\$ 36,300</u>

<b>Series 2013 Certificates of Obligation</b>	
Original Amount	600,000
Bond Denomination	1,000
Interest Rate	3.97%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2015	\$ 23,423	\$ 20,000	\$ 43,423
2016	22,609	21,000	43,609
2017	21,756	22,000	43,756
2018	20,862	23,000	43,862
2019	19,949	23,000	42,949
2020	19,016	24,000	43,016
2021	18,044	25,000	43,044
2022	17,031	26,000	43,031
2023	15,960	28,000	43,960
2024	14,828	29,000	43,828
2025	13,657	30,000	43,657
2026	12,446	31,000	43,446
2027	11,195	32,000	43,195
2028	9,885	34,000	43,885
2029	8,516	35,000	43,516
2030	7,106	36,000	43,106
2031	5,637	38,000	43,637
2032	4,109	39,000	43,109
2033	2,521	41,000	43,521
2034	854	43,000	43,854
	<u>\$ 269,404</u>	<u>\$ 600,000</u>	<u>\$ 869,404</u>

**CITY OF NEWARK, TX**  
**SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)**  
**FUTURE DEBT REQUIREMENTS**  
September 30, 2014

<b>TOTAL REQUIREMENTS</b>				<b>TOTAL</b>
<b>YEAR</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>		<b>REQUIREMENTS</b>
2015	\$ 25,073	\$ 31,000	\$	56,073
2016	23,709	32,000		55,709
2017	22,306	33,000		55,306
2018	20,862	23,000		43,862
2019	19,949	23,000		42,949
	<b>111,899</b>	<b>142,000</b>		<b>253,899</b>
2020	19,016	24,000		43,016
2021	18,044	25,000		43,044
2022	17,031	26,000		43,031
2023	15,960	28,000		43,960
2024	14,828	29,000		43,828
	<b>84,879</b>	<b>132,000</b>		<b>216,879</b>
2025	13,657	30,000		43,657
2026	12,446	31,000		43,446
2027	11,195	32,000		43,195
2028	9,885	34,000		43,885
2029	8,516	35,000		43,516
	<b>55,699</b>	<b>162,000</b>		<b>217,699</b>
2030	7,106	36,000		43,106
2031	5,637	38,000		43,637
2032	4,109	39,000		43,109
2033	2,521	41,000		43,521
2029	854	43,000		43,854
	<b>20,227</b>	<b>197,000</b>		<b>217,227</b>
<b>TOTAL ALL YEARS</b>	<b>\$ 272,704</b>	<b>\$ 633,000</b>	<b>\$</b>	<b>905,704</b>

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

September 30, 2014

**GENERAL FUND**

Debt Service	\$	22,602
<b>TOTAL GENERAL FUND</b>	<b>\$</b>	<u>22,602</u>

**PROPRIETARY FUND**

Customer Deposits	\$	40,025
Unspent 2013 Certificate of Obligation Funds		206,137
Grant Funds		1,500
<b>TOTAL PROPRIETARY FUND</b>	<b>\$</b>	<u>247,662</u>

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

September 30, 2014

Tax Year	2013	2012	2011	2010
Assessed Value	\$ 38,612,502	\$ 38,614,250	\$ 42,197,943	\$ 40,228,609
Tax Rate per \$100 of Assessed Value	0.5735	0.5716	0.5226	0.5226
Total Tax Levy	\$ 221,443	\$ 220,719	\$ 220,526	\$ 210,235
Collections During Fiscal Year	\$ 211,600	\$ 209,215	\$ 209,376	\$ 201,416
% of Current Taxes Collected	95.56%	94.79%	94.94%	95.81%

**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, 2014, 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 21, 2015

**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 21, 2015

**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, 2014, and have issued my report thereon dated May 21, 2015. 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 June 18, 2015. 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 2014. 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 21, 2015.

### *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:

At various times during the fiscal year the City's utility customer deposit liability exceeded the funds on hand in the Meter Deposit bank account. The City should establish procedures to monitor the Meter Deposit bank account to insure that its bank balances exceeds the outstanding utility customer deposit liability. Transfers should be made monthly for the new deposits received less any deposits refunded during the month.

*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 21, 2015