

CITY OF NEWARK, TX
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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WILLIAM C SPORE, P.C.
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, 2015, 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, 2015, 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, the schedule of changes in net pension liability and related ratios, the schedule of pension contributions 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, 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, 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, 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 July 21, 2016, 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
July 21, 2016

**CITY OF NEWARK, TX
CITY OFFICIALS**

September 30, 2015

MAYOR

Gary Van Wagner

MAYOR PRO TEM

Mark Wondolowski

COUNCIL MEMBERS

Manuel Duenas

Chris Raines

Hans Wilson

Vacant

CITY SECRETARY/CITY ADMINISTRATOR

Diane Rasor

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

September 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	\$ 374,198	\$ 69,040	\$ 443,238
Accounts Receivable (net)	34,403	43,989	78,392
Prepaid Expenses	599	2,984	3,583
TOTAL CURRENT ASSETS	409,200	116,013	525,213
NONCURRENT ASSETS			
Restricted Cash	32,585	48,210	80,795
Capital Assets:			
Land	61,549	4,400	65,949
Buildings & Improvements	243,193	31,312	274,505
Equipment	194,824	192,539	387,363
Infrastructure	145,254	4,379,838	4,525,092
Less - Accumulated Depreciation	(305,307)	(1,611,859)	(1,917,166)
Total Capital Assets, Net of Accum. Depr.	339,513	2,996,230	3,335,743
TOTAL NONCURRENT ASSETS	372,098	3,044,440	3,416,538
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions	1,555	2,062	3,617
TOTAL ASSETS	782,853	3,162,515	3,945,368
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	6,058	13,399	19,457
Accrued Expenses	11,292	14,421	25,713
Customer Deposits	0	48,210	48,210
Finance Contract-Due in One Year	0	6,069	6,069
Bonds Payable-Due in One Year	17,000	32,000	49,000
TOTAL CURRENT LIABILITIES	34,350	114,099	148,449
NONCURRENT LIABILITIES			
Pension Liability	5,947	7,543	13,490
Finance Contract	0	23,182	23,182
Bonds Payable	215,950	570,000	785,950
TOTAL NONCURRENT LIABILITIES	221,897	600,725	822,622
TOTAL LIABILITIES	256,247	714,824	971,071
NET POSITION			
Invested in Capital Assets, net of Related Debt	106,563	2,394,230	2,500,793
Restricted For:			
Debt Service	32,585	0	32,585
Unrestricted	387,458	53,461	440,919
TOTAL NET POSITION	\$ 526,606	\$ 2,447,691	\$ 2,974,297

CITY OF NEWARK, TX

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (197,855)	\$ 85,683	\$ 30,470	\$ 0	\$ (81,702)	\$ -	\$ (81,702)
Public Safety	(70,625)	16,669	276	0	(53,680)	-	(53,680)
Public Works	(88,949)	0	0	0	(88,949)	-	(88,949)
Culture & Recreation	(37,230)	813	20,524	0	(15,893)	-	(15,893)
Interest on Long-Term Debt	(11,598)	0	0	0	(11,598)	-	(11,598)
TOTAL GOVERNMENTAL ACTIVITIES	(406,257)	103,165	51,270	0	(251,822)	-	-
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	(516,798)	405,135	0	2,850	-	(108,813)	(108,813)
TOTAL PRIMARY GOVERNMENT	(923,055)	508,300	51,270	2,850	(251,822)	(108,813)	(360,635)
GENERAL REVENUE							
Property Taxes					226,721	-	226,721
Sales Taxes					86,676	-	86,676
Franchise Fees					45,813	-	45,813
Sale of Assets					0	3,500	3,500
Interest Income					578	0	578
Transfers					(21,693)	21,693	0
TOTAL GENERAL REVENUE					338,095	25,193	363,288
CHANGE IN NET POSITION					86,273	(83,620)	2,653
NET POSITION - BEGINNING (as restated - Note 9)					440,333	2,531,311	2,971,644
NET POSITION - ENDING					\$ 526,606	\$ 2,447,691	\$ 2,974,297

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

September 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 374,198	\$ 32,585	\$ 406,783
Receivables:			
Sales Taxes	10,435	0	10,435
Franchise Taxes	1,061	0	1,061
Fire Department Reimbursements	2,078	0	2,078
Property Taxes	18,613	2,216	20,829
Prepaid Expenses	599	0	599
TOTAL ASSETS	406,984	34,801	441,785
LIABILITIES			
Accounts Payable	6,058	0	6,058
Accrued Expenses	6,039	0	6,039
TOTAL LIABILITIES	12,097	0	12,097
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	18,613	2,216	20,829
FUND BALANCES			
Non Spendable			
Prepaid Expenses	619	0	619
Restricted For:			
Debt Service	0	32,585	32,585
Unassigned	375,655	0	375,655
TOTAL FUND BALANCES	376,274	32,585	408,859
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 406,984	\$ 34,801	\$ 441,785

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

Fund Balance - Governmental Funds	\$ 408,859
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	339,513
Property Taxes receivable are not available to pay for current period expenditures and therefore are deferred in the Fund Balance Sheet	20,829
Deferred Outflows for Pension Contributions effect future pension expense and are considered prepayments in the statement of net position	1,555
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	(244,150)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 526,606

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

For the Year Ended September 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 212,075	\$ 30,777	\$ 242,852
Sales Taxes	86,676	0	86,676
Franchise Fees	45,813	0	45,813
Intergovernmental	50,894	0	50,894
Charges for Services	813	0	813
Fines	16,669	0	16,669
Licenses and Permits	12,572	0	12,572
Donations	376	0	376
Gas Lease Income	3,366	0	3,366
Other Revenues	19,745	0	19,745
Conduit Loan Fees	50,000	0	50,000
Interest Income	578	0	578
TOTAL REVENUES	499,577	30,777	530,354
EXPENDITURES			
General Government	186,456	0	186,456
Public Safety	69,822	0	69,822
Culture & Recreation	28,306	0	28,306
Public Works	82,660	0	82,660
Capital Outlay	66,556	0	66,556
Debt Service:			
Principal	0	15,000	15,000
Interest	0	11,804	11,804
TOTAL EXPENDITURES	433,800	26,804	460,604
EXCESS REVENUES OVER (UNDER) EXPENDITURES	65,777	3,973	69,750
OTHER FINANCING SOURCES (USES)			
Transfer for Debt Service	(27,703)	27,703	0
Transfer to Water & Sewer Fund	0	(21,693)	(21,693)
TOTAL OTHER FINANCING SOURCES (USES)	(27,703)	6,010	(21,693)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	38,074	9,983	48,057
FUND BALANCE - BEGINNING	338,200	22,602	360,802
FUND BALANCE - ENDING	\$ 376,274	\$ 32,585	\$ 408,859

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

September 30, 2015

**WATER & SEWER
 FUND**

ASSETS

CURRENT ASSETS

Cash	\$	117,250
Accounts Receivable (net)		43,989
Grants & Other Receivables		0
Prepaid Expenses		2,984
TOTAL CURRENT ASSETS		164,223

NONCURRENT ASSETS

Capital Assets:		
Land		4,400
Buildings		31,312
Equipment		192,539
Distribution & Collection Systems		4,379,838
Less - Accumulated Depreciation		(1,611,859)
Total Capital Assets, Net of Accum. Depr.		2,996,230

DEFERRED OUTFLOWS OF RESOURCES

Pension Contributions		2,062
		2,062

TOTAL ASSETS

3,162,515

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		13,399
Accrued Expenses		14,421
Customer Deposits		48,210
Finance Contract-Due in One Year		6,069
Series 1979 Revenue Bonds - Due in One Year		11,000
Series 2013 Certificates of Obligation-Due in One Year		21,000
TOTAL CURRENT LIABILITIES		114,099

NONCURRENT LIABILITIES

Net Pension Liability		7,543
Finance Contract		23,182
Series 1979 Revenue Bonds		11,000
Series 2013 Certificates of Obligation		559,000
TOTAL NONCURRENT LIABILITIES		600,725

TOTAL LIABILITIES

714,824

NET POSITION

Invested in Capital Assets, net of Related Debt		2,394,230
Unrestricted		53,461
TOTAL NET POSITION	\$	2,447,691

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CITY OF NEWARK, TX

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

For the Year Ended September 30, 2015

	WATER & SEWER
OPERATING REVENUES	
Charges for Services	
Water, Sewer & Garbage	\$ 384,944
Total Charges for Services	<u>384,944</u>
Tap Fees	1,500
Late Charges	10,366
Reconnect Fees	4,766
Miscellaneous	3,559
TOTAL OPERATING REVENUES	<u>405,135</u>
OPERATING EXPENSES	
Personnel Services	112,380
Professional Fees	787
Supplies and Contract Services	179,377
Repair & Maintenance	52,255
Depreciation	146,577
TOTAL OPERATING EXPENSES	<u>491,376</u>
OPERATING INCOME (LOSS)	<u>(86,241)</u>
NONOPERATING REVENUES (EXPENSES)	
Sale of Assets	3,500
Interest Expense	(24,322)
Bond Issue Costs	(1,100)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(21,922)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(108,163)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital Grants	2,850
Transfers from General Fund	21,693
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u>24,543</u>
CHANGE IN NET POSITION	(83,620)
NET POSITION - BEGINNING (as restated-Note 9)	<u>2,531,311</u>
NET POSITION - ENDING	<u>\$ 2,447,691</u>

CITY OF NEWARK, TX

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 402,130
Cash Payments to Suppliers for Goods and Services	(229,276)
Cash Payments for Employees Services	(104,796)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>68,058</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from General Fund	<u>21,693</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(222,148)
Capital Grants	13,416
Proceeds from the Issuance of Finance Contracts	28,151
Principal Paid on Bonds	(31,000)
Interest Paid on Bonds	(24,761)
Proceeds from Sale of Assets	3,500
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(232,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>0</u>
NET INCREASE IN CASH	(143,091)
CASH - BEGINNING OF YEAR	<u>260,341</u>
CASH - END OF YEAR	<u>\$ 117,250</u>

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

Operating Income (Loss)	\$ (86,241)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	146,577
(Increase) Decrease in Receivables	(7,538)
(Increase) Decrease in Prepaid Expenses	(759)
Increase (Decrease) in Accounts Payable	3,908
Increase (Decrease) in Accrued Expenses	7,578
Increase (Decrease) in Customer Deposits	4,533
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 68,058</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The City of Newark, Texas (the City) was incorporated in 1951. The City operates under a Council-Manager form of government, following the laws of a Home Rule City as defined by the State of Texas. The City provides the following services: animal control, library, code enforcement and inspection, municipal court, parks, police, public works, sanitation and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with generally accepted accounting principles 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 two component units (separately administered organizations that are controlled or dependent on the City); the Newark Cultural Educational Facilities Finance Corporation (NCEFFC) and the Newark Higher Education Finance Corporation (NHEFC). 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. NCEFFC does not have any assets or liabilities. NHEFC was created in April 2014 primarily for the purpose of providing financing of "educational facilities" or "housing facilities" as these terms are defined in the Texas Education Code. NHEFC does not have any assets or liabilities. See Note 8 related to conduit debt.

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, 2015

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, 2015

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.

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 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, 2014 the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement made significant modifications to reporting of employee pension benefits. 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. 72, *Technical Corrections - amendment of GASB no. 10 and No. 62*. This statement will not affect the City.
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. This statement will not affect the City.
- *Statement No.74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement will not affect the City.
- *Statement No.75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2015, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2016, as required.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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. Taxes:

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. Property taxes are recorded as receivables in the period they are levied and available. For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

4. Prepaid Expenses:

Prepaid expenses represent payments made by the City in the current year to provide services occurring in the subsequent year.

5. 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

6. Interfund Receivable and Payables:

Any residual balances outstanding between the governmental funds and business type funds are reported in the government-wide statement of net position as "interfund receivables".

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

7. Transfers Between Funds:

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

8. 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.

9. Deferred Outflows of Resources:

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for contributions made to the City's retirement plan between the measurement date of the net pension liabilities from the plan and the end of the City's fiscal year end and (2) deferred outflows of resources related to differences between the plans' projected and actual earnings. The deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to differences between projected and actual plan earnings will be amortized to pension expense over a total of five years, including the current fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

10. Deferred Inflows of Resources:

The City reports increases in net assets that relate to future periods as deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements include (1) a deferred inflow of resources related to differences between the expected and actual demographics of the City's pension plan and (2) a deferred inflow of resources for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

The deferred inflows related to differences related actuarial assumptions for demographic factors amount will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

11. 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.

12. 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.

13. Capitalized Interest:

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

14. Operating Revenues & Expenses:

The City’s Proprietary fund distinguishes between operating and nonoperating 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, 2015

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, 2015 the following departments had expenditures that exceeded appropriations:

<u>Department</u>	<u>Amount over budget</u>
Administration	\$ 25,827
Library	\$ 123

NOTE 2: DEPOSITS:

At September 30, 2015 the carrying amount of the City's cash accounts was \$524,033, made up of petty cash of \$900 and \$523,133 held in checking accounts at local financial institutions. The City did not own any investments at September 30, 2015.

Deposit and Investment Risk Disclosures:

- (1) Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City does not currently own any investments and, therefore, is not exposed to credit risk.
- (2) Concentration of credit risk - This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not currently own any investments and, therefore, is not exposed to concentration of credit risk.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(3) Interest rate risk - This is the risk that changes in interest rates will adversely effect the fair value of an investment. The City does not currently own any investments and, therefore, is not exposed to interest rate risk.

(4) 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, 2015 the City's bank balances (per bank) totaled \$530,003. 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, 2015. Securities pledged by the City depository institution consists of the following:

SECURITY	PAR	FMV
Glenville, IL municipal bond	\$ 505,000	\$ 537,840

NOTE 3: 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 4: INTERFUND TRANSFERS:

During the fiscal year the debt service fund transferred \$21,693 to the water and sewer fund for to pay for one-half of the annual bond principal and interest payments related to the Series 2013 Certificates of Obligation.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2015 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Land	\$ 61,549	\$ 0	\$ 0	\$ 61,549
Buildings & Improvements	236,828	6,365	0	243,193
Equipment	193,465	1,359	0	194,824
Infrastructure	86,422	58,832	0	145,254
TOTAL AT HISTORICAL COST	<u>578,264</u>	<u>66,556</u>	<u>0</u>	<u>644,820</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	98,922	11,696	0	110,618
Equipment	179,746	3,685	0	183,431
Infrastructure	4,969	6,289	0	11,258
TOTAL ACCUMULATED DEPRECIATION	<u>283,637</u>	<u>21,670</u>	<u>0</u>	<u>305,307</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 294,627</u>	<u>\$ 44,886</u>	<u>\$ 0</u>	<u>\$ 339,513</u>

CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	TRANSFERS & RETIREMENTS	ENDING BALANCE
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	582,922	0	(582,922)	0
Buildings & Improvements	31,312	0	0	31,312
Equipment	161,885	30,654	0	192,539
Water & Sewer System	3,627,152	169,764	582,922	4,379,838
TOTAL AT HISTORICAL COST	<u>4,407,671</u>	<u>200,418</u>	<u>0</u>	<u>4,608,089</u>
ACCUMULATED DEPRECIATION				
Buildings & Improvements	13,629	500	0	14,129
Equipment	121,147	13,311	0	134,458
Water & Sewer System	1,330,506	132,766	0	1,463,272
TOTAL ACCUMULATED DEPRECIATION	<u>1,465,282</u>	<u>146,577</u>	<u>0</u>	<u>1,611,859</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2,942,389</u>	<u>\$ 53,841</u>	<u>\$ 0</u>	<u>\$ 2,996,230</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	5,654
Public Safety		803
Library		8,924
Public Works		6,289
TOTAL DEPRECIATION EXPENSE	\$	<u>21,670</u>

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

Water & Sewer	\$	<u>146,577</u>
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NOTE 6: 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 units, the Newark Cultural Educational Facilities Finance Corporation (NCEFFC) and Newark Higher Education Finance Corporation (NHEFC), have 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 and NHEFC do not handle any monetary transactions.

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.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 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.

Finance Contract - In July 2015 the City entered into a public property finance contract with Government Capital for the purchase of a vehicle. The agreement requires five annual payments of \$6,222, including interest at 2.90%, beginning in October 2015. The agreement is secured by ad valorem taxes to be levied annually by the City.

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	\$ 10,950	\$ 0	\$ 3,000	\$ 7,950	\$ 4,000
2008 Tax & Revenue Certificates Payable	237,000	0	12,000	225,000	13,000
TOTAL	<u>\$ 247,950</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 232,950</u>	<u>\$ 17,000</u>
BUSINESS-TYPE ACTIVITIES:					
Finance Contract	\$ 0	\$ 29,251	\$ 0	\$ 29,251	\$ 6,069
1979 Revenue Bonds Payable	33,000	0	11,000	22,000	11,000
2013 Certificates of Obligation	600,000	0	20,000	580,000	21,000
TOTAL	<u>\$ 633,000</u>	<u>\$ 29,251</u>	<u>\$ 31,000</u>	<u>\$ 631,251</u>	<u>\$ 38,069</u>

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Future debt maturities are as follows:

Revenue Bonds and Certificates of Obligation

Year	Governmental Type Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
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	15,000	8,126	24,000	19,016
2021-2025	90,000	28,919	138,000	79,520
2026-2030	65,000	6,309	168,000	49,148
2031-2034	0		161,000	13,121
Total	\$ <u>232,950</u>	\$ <u>83,194</u>	\$ <u>602,000</u>	\$ <u>247,631</u>

Finance Contract

Year	Governmental Type Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 0	\$ 0	\$ 6,069	\$ 153
2017	0	0	5,550	672
2018	0	0	5,711	511
2019	0	0	5,876	346
2020	0	0	6,045	177
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>29,251</u>	\$ <u>1,859</u>

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 860 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

All eligible employees of the City are required to participate in TMRS.

The City joined TMRS in March 2014.

B. Benefits provided

TMRS provides retirement, disability and death benefits. Benefits are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has adopted the following plan provisions:

	Plan Year 2014	Plan Year 2015
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

At the December 31, 2014 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	3
	3

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.60% and 3.06% for the calendar years 2015 and 2014 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$4,720 and were equal to the required contributions.

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For additional conservatism lower termination rates are used, with maximum multipliers of 75%, and the life expectancy is loaded by decreasing the mortality rates by 1% for every active member less than 15. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2013	\$ 0	\$ 0	\$ 0
Service Cost	7,192	-	7,192
Interest	1,192	-	1,192
Changes to Benefit Terms	13,737	-	13,737
Differences between expected and actual results	0	-	0
Contributions - employer	-	3,199	(3,199)
Contributions - employee	-	5,432	(5,432)
Net investment income	-	0	0
Benefit Payments, including refunds of employee contributions	(602)	(602)	0
Administrative expense	-	0	0
Other	-	0	0
Net Changes	<u>21,519</u>	<u>8,029</u>	<u>13,490</u>
Balance at December 31, 2014	\$ <u>21,519</u>	\$ <u>8,029</u>	\$ <u>13,490</u>

The net pension asset is allocated to the governmental funds and the business-type funds based on actual wages paid during the fiscal year.

CITY OF NEWARK, TX
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's Net Pension Liability	\$ <u>17,502</u>	\$ <u>13,490</u>	\$ <u>10,267</u>

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

E: Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2015 the City recognized pension expense of \$16,689. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	1,555	0
Total	\$ <u>1,555</u>	\$ <u>0</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

The \$1,555 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016

NOTE 9: ADOPTION OF GASB 68:

The City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* effective with these financial statements. In accordance with this statement, the City has restated its September 30, 2014 government-wide unrestricted net positions to reflect the amount of net pension liability and the related deferred outflows of resources for contributions (City contributions made after December 31, 2013, the measurement date for fiscal year September 30, 2014 fiscal year pension reporting, through September 30, 2014) as of September 30, 2014. As the City joined TMRS in March 2014 it does not have a net pension liability as of September 30, 2014. The amount of the required restatements is as follows:

	Increase in Deferred Outflows Contributions	Net Pension Liability	Increase in Unrestricted Net Position
Governmental Activities	\$ 953	\$ 0	\$ 953
Business-Type Activities	\$ 1,263	\$ 0	\$ 1,263

NOTE 10: 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 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2015 through July 21, 2016 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, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES:				
TAXES:				
Property Taxes	\$ 219,500	\$ 242,700	\$ 242,852	\$ 152
Sales Taxes	90,000	82,000	86,676	4,676
Franchise Fees	42,000	43,500	45,813	2,313
TOTAL TAXES	351,500	368,200	375,341	7,141
INTERGOVERNMENTAL:				
Planning Grant	0	0	30,470	30,470
Library Grants	20,424	20,424	20,424	0
TOTAL INTERGOVERNMENTAL	20,424	20,424	50,894	30,470
CHARGES FOR SERVICES:				
Library Fees	0	615	613	(2)
Plat and Other Building Fees	100	200	200	0
TOTAL CHARGES FOR SERVICES	100	815	813	(2)
FINES & REGISTRATIONS				
Animal Control	700	350	348	(2)
Police	24,116	17,500	16,321	(1,179)
TOTAL FINES & REGISTRATIONS	24,816	17,850	16,669	(1,181)
LICENSES AND PERMITS:				
Building Permits	5,000	12,500	12,572	72
TOTAL LICENSES AND PERMITS	5,000	12,500	12,572	72
DONATIONS:				
Fire	0	0	276	276
Library	0	0	100	100
TOTAL DONATIONS	0	0	376	376
INTEREST INCOME	0	0	578	578
OTHER SOURCES:				
Cell Tower Rental	15,480	16,722	16,722	0
Conduit Loan Fees	10,000	50,000	50,000	0
Other Income	6,350	450	3,023	2,573
Gas Lease Income	4,000	3,400	3,366	(34)
TOTAL OTHER SOURCES	35,830	70,572	73,111	2,539
TOTAL RESOURCES AVAILABLE	437,670	490,361	530,354	39,993

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
CHARGES TO APPROPRIATIONS:				
ADMINISTRATION:				
Salaries and Wages	60,779	75,000	74,574	426
Payroll Taxes	4,862	4,400	6,451	(2,051)
Retirement	2,000	2,000	1,955	45
Health Insurance	7,825	7,830	8,094	(264)
Audit Services	7,500	7,500	7,500	0
Planning Grant Consultant	0	0	30,470	(30,470)
Legal Services	20,000	7,000	4,655	2,345
Tax Collection Services	2,700	2,910	2,910	0
Building Inspection Fees	3,000	6,000	5,630	370
Building Maintenance	3,000	10,000	6,435	3,565
Computer Expense	5,000	6,500	5,249	1,251
Dues	800	1,058	1,049	9
Election	2,500	0	0	0
Insurance	23,000	10,000	7,950	2,050
Office Supply, Copier, Postage & Other Exp.	5,281	8,852	9,106	(254)
Public Notices	2,500	2,500	2,457	43
Telephone & Utilities	26,200	11,600	10,524	1,076
Travel & Training	1,000	1,400	1,447	(47)
Debt Service	28,516	26,807	26,804	3
Capital Outlay	3,800	3,800	7,724	(3,924)
TOTAL ADMINISTRATION	210,263	195,157	220,984	(25,827)
PUBLIC SAFETY				
Animal Control Services	2,000	1,300	1,258	42
Police-Contract Labor	41,000	30,000	30,222	(222)
Insurance	1,500	1,350	1,315	35
Judge & Prosecutor	0	2,900	3,672	(772)
Salaries & Wages - Municipal Court	15,000	12,000	12,005	(5)
Payroll Taxes-Municipal Court	0	0	835	(835)
Supplies & Software	7,500	3,800	2,979	821
Training	500	630	679	(49)
Code Enforcement	14,500	11,000	7,857	3,143
TOTAL PUBLIC SAFETY	82,000	62,980	60,822	2,158
FIRE:				
Telephone, Utilities & Other Expenses	7,000	9,000	9,000	0
TOTAL FIRE	7,000	9,000	9,000	0

CITY OF NEWARK, TX

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS:				
Contract Labor	11,200	12,900	13,321	(421)
Engineering	0	5,000	5,590	(590)
Street Lights	0	15,300	14,358	942
Street Maintenance	50,700	18,900	12,638	6,262
Mowing	36,000	36,000	36,000	0
Equipment Maintenance	3,500	800	753	47
Capital Outlay	52,600	52,600	58,832	(6,232)
TOTAL PUBLIC WORKS	<u>154,000</u>	<u>141,500</u>	<u>141,492</u>	<u>8</u>
LIBRARY:				
Salaries and Wages	22,229	17,310	17,140	170
Payroll Taxes	0	1,000	1,270	(270)
Books, DVD's and Subscriptions	1,800	2,050	1,793	257
Supplies	2,950	2,255	2,641	(386)
Building Maintenance	500	200	237	(37)
Telephone and Utilities	4,200	4,850	4,728	122
Security	384	384	363	21
Capital Outlay	0	0	0	0
TOTAL LIBRARY	<u>32,063</u>	<u>28,049</u>	<u>28,172</u>	<u>(123)</u>
PARKS:				
Supplies & Maintenance	0	134	134	0
TOTAL PARKS	<u>0</u>	<u>134</u>	<u>134</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS BEFORE TRANSFERS	<u>485,326</u>	<u>436,820</u>	<u>460,604</u>	<u>(23,784)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	<u>(47,656)</u>	<u>53,541</u>	<u>69,750</u>	<u>16,209</u>
OTHER SOURCES:				
Transfer from Water & Sewer	(21,693)	(21,693)	(21,693)	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(69,349)</u>	<u>31,848</u>	<u>48,057</u>	<u>\$ 16,209</u>
BEGINNING BUDGETARY SURPLUS	<u>360,802</u>	<u>360,802</u>	<u>360,802</u>	
ENDING BUDGETARY SURPLUS	<u>\$ 291,453</u>	<u>\$ 392,650</u>	<u>\$ 408,859</u>	

CITY OF NEWARK, TX

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2015

Plan Year	<u>2014</u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 7,192
Interest (on the Total Pension Liability)	1,192
Changes in benefit terms	13,737
Difference between expected and actual experience	0
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(602)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>21,519</u>
TOTAL PENSION LIABILITY - BEGINNING	<u>0</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 21,519</u>
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 3,199
Contributions - Employee	5,432
Net investment income	0
Benefit payments, including refunds of employee contributions	(602)
Administrative expense	0
Other	0
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>8,029</u>
PLAN NET FIDUCIARY POSITION - BEGINNING	<u>0</u>
PLAN NET FIDUCIARY POSITION - ENDING (b)	<u>\$ 8,029</u>
NET PENSION (ASSET) (a) - (b)	<u>\$ 13,490</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	37.31%
Covered employee payroll	\$ 108,634
Net Pension Asset as a percentage of covered payroll	12.42%

CITY OF NEWARK, TX

SCHEDULE OF PENSION CONTRIBUTIONS

September 30, 2015

Actuarially Determined Contribution	\$ 4,720
Contributions in relation to the actuarially determined contribution	4,720
Contribution deficiency (excess)	<u>0</u>
Covered employee payroll	135,192
Contributions as a percentage of covered employee payroll	3.49%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	8 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3%
Salary Increases	3.5% to 12%, including inflation
Investment Rate of Return	7%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year

The City joined TMRS in March 2014

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, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES			
TAXES:			
Property Taxes	\$ 242,852	\$ 222,819	\$ 220,373
Sales Taxes	86,676	151,010	95,363
Franchise Fees	45,813	48,927	40,533
TOTAL TAXES	<u>375,341</u>	<u>422,756</u>	<u>356,269</u>
INTERGOVERNMENTAL:			
Planning Grant	30,470	0	0
Library Grant	20,424	20,424	22,132
TOTAL INTERGOVERNMENTAL	<u>50,894</u>	<u>20,424</u>	<u>22,132</u>
CHARGES FOR SERVICES:			
Library Fees	613	368	171
Plat and Other Building Fees	200	50	300
TOTAL CHARGES FOR SERVICES	<u>813</u>	<u>418</u>	<u>471</u>
FINES			
Animal Control	348	687	602
Police	16,321	1,016	4
TOTAL FINES	<u>16,669</u>	<u>1,703</u>	<u>606</u>
LICENSES AND PERMITS:			
Building Permits	12,572	5,225	5,327
TOTAL LICENSES AND PERMITS	<u>12,572</u>	<u>5,225</u>	<u>5,327</u>
DONATIONS:			
Fire	276	0	0
Library	100	0	0
Parks	0	0	5,425
Police	0	310	0
TOTAL DONATIONS	<u>376</u>	<u>310</u>	<u>5,425</u>
INTEREST INCOME			
	<u>578</u>	<u>333</u>	<u>321</u>
OTHER SOURCES:			
Cell Tower Rental	16,722	15,480	15,480
Conduit Income	50,000	10,000	50,000
Other Income	3,023	559	703
Sale of City Property	0	806	29,153
Gas Lease Income	3,366	5,275	4,290
TOTAL OTHER SOURCES	<u>73,111</u>	<u>32,120</u>	<u>99,626</u>
TOTAL REVENUES	<u>530,354</u>	<u>483,289</u>	<u>490,177</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2015, 2014 and 2013

EXPENDITURES	<u>2015</u>	<u>2014</u>	<u>2013</u>
ADMINISTRATION:			
Salaries and Wages	74,574	63,599	61,173
Payroll Taxes	6,451	5,441	4,356
Retirement	1,955	1,252	1,200
Health Insurance	8,094	7,401	11,402
Contract Labor	0	3,045	2,166
Audit Services	7,500	7,500	7,500
Engineering Services/Other Consulting Services	30,470	3,047	0
Legal Services	4,655	20,776	17,314
Tax Collection Services	2,910	2,860	2,618
Building Inspection Fees	5,630	3,507	3,945
Building Maintenance	6,435	4,285	3,951
Computer Expense	5,249	2,622	1,582
Dues	1,049	636	726
Election	0	2,002	75
Insurance	7,950	15,463	17,248
Office Supply, Copier, Postage and Other Expenses	9,106	9,965	9,714
Public Notices	2,457	2,966	5,484
Telephone & Utilities	10,524	25,105	31,144
Travel & Training	1,447	2,307	1,633
Capital Outlay	26,804	4,975	0
Debt Service	7,724	27,528	27,201
TOTAL ADMINISTRATION	<u>220,984</u>	<u>216,282</u>	<u>210,432</u>
PUBLIC SAFETY:			
Contract Services	30,222	6,512	0
Animal Control Services	1,258	1,378	2,525
Insurance	1,315	0	0
Judge & Prosecutor	3,672	810	1,350
Salaries & Wages-Municipal Court	12,005	0	0
Payroll Taxes-Municipal Court	835	0	0
Code Enforcement	7,857	12,140	5,522
Supplies, Software and Minor Equipment	2,979	4,582	0
Training	679	966	0
Capital Outlay	0	2,410	0
TOTAL PUBLIC SAFETY	<u>60,822</u>	<u>28,798</u>	<u>9,397</u>
FIRE:			
Telephone, Utilities & Other Expenses	9,000	6,000	7,418
TOTAL FIRE	<u>9,000</u>	<u>6,000</u>	<u>7,418</u>

CITY OF NEWARK, TX

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

For the Year Ended September 30, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
PUBLIC WORKS:			
Contract Labor	13,321	0	4,827
Engineering	5,590	0	0
Street Lights	14,358	0	0
Street Maintenance	12,638	43,414	116,553
Mowing	36,000	0	0
Supplies and Equipment Repair	753	3,228	1,575
Capital Outlay	58,832	77,618	0
TOTAL PUBLIC WORKS	<u>141,492</u>	<u>124,260</u>	<u>122,955</u>
LIBRARY:			
Salaries and Wages	17,140	17,748	16,296
Payroll Taxes	1,270	1,477	1,344
Contract Labor	0	2,166	0
Books and Supplies	4,434	7,340	6,022
Building Maintenance	237	315	235
Telephone and Utilities	4,728	5,382	5,503
Security	363	144	335
Capital Outlay	0	0	0
TOTAL LIBRARY	<u>28,172</u>	<u>34,572</u>	<u>29,735</u>
PARKS:			
Supplies & Maintenance	134	29	5,425
TOTAL EXPENDITURES	460,604	409,941	385,362
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	<u>69,750</u>	<u>73,348</u>	<u>104,815</u>
OTHER USES :			
Transfer to (from) Water and Sewer	<u>(21,693)</u>	<u>65,280</u>	<u>(147,885)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ <u>48,057</u>	\$ <u>138,628</u>	\$ <u>(43,070)</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2015, 2014 & 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
Charges for Services			
Water, Sewer & Garbage	\$ 384,944	\$ 380,749	\$ 361,735
Tap Fees	1,500	6,000	3,000
Late Charges	10,366	11,094	11,449
Reconnect Fees	4,766	5,051	1,706
Miscellaneous	3,559	3,777	(360)
TOTAL OPERATING REVENUES	<u>405,135</u>	<u>406,671</u>	<u>377,530</u>
OPERATING EXPENSES			
Personnel Services			
Salaries & Wages	81,070	74,377	114,524
Health Insurance	15,525	15,467	20,527
Retirement	9,581	1,142	1,800
Payroll Taxes	6,204	6,355	8,968
Total Personnel Services	<u>112,380</u>	<u>97,341</u>	<u>145,819</u>
Professional Fees			
Engineering	787	1,106	5,738
Total Professional Fees	<u>787</u>	<u>1,106</u>	<u>5,738</u>
Supplies & Contract Services			
Contract Labor	0	38,294	5,925
Electricity	43,234	40,710	48,039
Garbage Collection	69,774	69,578	64,853
Insurance	6,306	0	0
Lab Fees	16,507	15,887	15,293
Office Supplies	499	1,983	1,647
Other Expense	698	318	330
Permits & Inspections	2,959	3,322	2,652
Postage	2,977	2,312	2,099
Supplies	14,697	14,925	17,123
Telephone	12,733	16,308	10,119
Training	2,007	4,334	4,515
Vehicle Expenses	6,986	17,253	21,862
Total Supplies & Contract Services	<u>179,377</u>	<u>225,224</u>	<u>194,457</u>

CITY OF NEWARK, TX

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

For the Years Ended September 30, 2015, 2014 & 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Repair & Maintenance			
Lift Station Expense	9,088	4,337	5,879
Repairs & Maintenance - Supplies & Equipment	2,040	5,813	11,398
Sewer System	21,703	26,442	23,818
Water System	19,424	34,416	7,603
Total Repairs & Maintenance	<u>52,255</u>	<u>71,008</u>	<u>48,698</u>
Depreciation	<u>146,577</u>	<u>121,930</u>	<u>141,650</u>
TOTAL OPERATING EXPENSES	<u>491,376</u>	<u>516,609</u>	<u>506,362</u>
OPERATING INCOME (LOSS)	<u>(86,241)</u>	<u>(109,938)</u>	<u>(128,832)</u>
NONOPERATING REVENUES (EXPENSES)	<i>60,000</i>		
Interest Income	0	57	58
Sale of Assets	3,500	0	0
Interest Expense	(24,322)	(5,030)	(2,274)
Debt Issue Costs	(1,100)	(23,000)	0
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(21,922)</u>	<u>(27,973)</u>	<u>(2,216)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(108,163)</u>	<u>(137,911)</u>	<u>(131,048)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Grants	2,850	250,648	311,205
Transfers (to) from General Fund	21,693	(65,280)	147,885
TOTAL CAPITAL CONTRIBUTIONS & TRANSFERS	<u>24,543</u>	<u>185,368</u>	<u>459,090</u>
CHANGE IN NET POSITION	<u>\$ (83,620)</u>	<u>\$ 47,457</u>	<u>\$ 328,042</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2015

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2016	\$ 398	\$ 4,000	\$ 4,398
2017	198	3,950	4,148
	<u>\$ 596</u>	<u>\$ 7,950</u>	<u>\$ 8,546</u>

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

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 82,598</u>	<u>\$ 225,000</u>	<u>\$ 307,598</u>

CITY OF NEWARK, TX
SCHEDULE OF GOVERNMENTAL ACTIVITIES
FUTURE DEBT REQUIREMENTS
September 30, 2015

TOTAL REQUIREMENTS				TOTAL
YEAR	INTEREST	PRINCIPAL		REQUIREMENTS
2016	\$ 11,153	\$	17,000	\$ 28,153
2017	10,332		16,950	27,282
2018	9,512		14,000	23,512
2019	8,843		15,000	23,843
2020	8,126		15,000	23,126
	47,966		77,950	125,916
2021	7,409		16,000	23,409
2022	6,644		17,000	23,644
2023	5,832		18,000	23,832
2024	4,971		19,000	23,971
2025	4,063		20,000	24,063
	28,919		90,000	118,919
2026	3,107		21,000	24,107
2027	2,103		21,000	23,103
2028	1,099		23,000	24,099
	6,309		65,000	71,309
TOTAL ALL YEARS	\$ 83,194	\$	232,950	\$ 316,144

CITY OF NEWARK, TX
SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
FUTURE DEBT REQUIREMENTS
September 30, 2015

Series 1979 Revenue Bonds

Original Amount	207,000
Bond Denomination	1,000
Interest Rate	5.00%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2016	\$ 1,100	\$ 11,000	\$ 12,100
2017	550	11,000	11,550
	<u>\$ 1,650</u>	<u>\$ 22,000</u>	<u>\$ 23,650</u>

Series 2013 Certificates of Obligation

Original Amount	600,000
Bond Denomination	1,000
Interest Rate	3.97%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
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>\$ 245,981</u>	<u>\$ 580,000</u>	<u>\$ 825,981</u>

CITY OF NEWARK, TX
SCHEDULE OF PROPRIETARY FUND (WATER & SEWER)
FUTURE DEBT REQUIREMENTS
September 30, 2015

Finance Contract - Truck	
Original Amount	29,251
Annual Payment	6,222
Interest Rate	2.90%

YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS
2016	\$ 153	\$ 6,069	\$ 6,222
2017	672	5,550	6,222
2018	511	5,711	6,222
2019	346	5,876	6,222
2020	177	6,045	6,222
	<u>\$ 1,859</u>	<u>\$ 29,251</u>	<u>\$ 31,110</u>

TOTAL REQUIREMENTS				
YEAR	INTEREST	PRINCIPAL	TOTAL REQUIREMENTS	
2016	\$ 23,862	\$ 38,069	\$ 61,931	
2017	22,978	38,550	61,528	
2018	21,373	28,711	50,084	
2019	20,295	28,876	49,171	
2020	19,193	30,045	49,238	
	<u>107,701</u>	<u>164,251</u>	<u>271,952</u>	
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	
	<u>79,520</u>	<u>138,000</u>	<u>217,520</u>	
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	
	<u>49,148</u>	<u>168,000</u>	<u>217,148</u>	
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>13,121</u>	<u>161,000</u>	<u>174,121</u>	
TOTAL ALL YEARS	\$ 249,490	\$ 631,251	\$ 880,741	

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

September 30, 2015

Tax Year	2014	2013	2012	2011
Assessed Value	\$ 38,808,137	\$ 38,612,502	\$ 38,614,250	\$ 42,197,943
Tax Rate per \$100 of Assessed Value	<u>0.5723</u>	<u>0.5735</u>	<u>0.5716</u>	<u>0.5226</u>
Total Tax Levy	\$ <u>222,099</u>	\$ <u>221,443</u>	\$ <u>220,719</u>	\$ <u>220,526</u>
Collections During Fiscal Year	\$ <u>217,135</u>	\$ <u>211,600</u>	\$ <u>209,215</u>	\$ <u>209,376</u>
% of Current Taxes Collected	<u>97.76%</u>	<u>95.56%</u>	<u>94.79%</u>	<u>94.94%</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent on February 1 of the following year.

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Drive, Ste 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, 2015, 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 July 21, 2016.

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

July 21, 2016

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, 2015, and have issued my report thereon dated June 21, 2016. 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 May 27, 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. During the fiscal year the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. No other new accounting policies were adopted and the application of existing policies was not changed during 2015. 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 July 21, 2016.

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.

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

July 21, 2016