

Approved 8/20/2020

CITY OF NEWARK, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



Approved by City Council on
August 20, 2020

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WILLIAM C SPORE, P.C.
Certified Public Accountants
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DRAFT

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, 2019, 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, 2019, 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 budgetary comparison schedule for the general fund, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions 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 and the comparative schedule of revenues, expenses and changes in net position - Proprietary Fund 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 and comparative schedule of revenues, expenses and changes in net position - Proprietary Fund 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 and the comparative schedule of revenues, expenses and changes in net position - Proprietary Fund 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 August 20, 2020, on my consideration of the City of Newark, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newark, Texas's 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, Texas's internal control over financial reporting and compliance.

William C. Spore, P.C.

Certified Public Accountants

Keller, Texas

August 20, 2020

**CITY OF NEWARK, TEXAS
CITY OFFICIALS**

For the Year Ended September 30, 2019

MAYOR

Mark Wondolowski

MAYOR PRO TEM

Chris Raines

COUNCIL MEMBERS

Taylor Burton

Sean Phillips

Richard Sidebottom

Darla Loggains-Wood

CITY SECRETARY

Jeanine Inman

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

For the Year Ended September 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & Equivalents	\$ 452,739	\$ 0	\$ 452,739
Accounts Receivable (net)	44,280	42,368	86,648
Prepaid Expenses	3,025	2,367	5,392
Restricted Cash & Equivalents	79,609	56,844	136,453
Capital Assets:			
Land	71,549	4,400	75,949
Buildings & Improvements	183,917	37,712	221,629
Equipment	217,200	226,786	443,986
Infrastructure	240,321	4,548,780	4,789,101
Construction in Progress	0	33,828	33,828
Less - Accumulated Depreciation	(326,850)	(2,258,391)	(2,585,241)
Total Capital Assets, Net of Accum. Depr.	<u>386,137</u>	<u>2,593,115</u>	<u>2,979,252</u>
TOTAL ASSETS	\$ <u>965,790</u>	\$ <u>2,694,694</u>	\$ <u>3,660,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	\$ 6,413	\$ 6,728	\$ 13,141
OPEB Related	697	722	1,419
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>7,110</u>	\$ <u>7,450</u>	\$ <u>14,560</u>
LIABILITIES			
Accounts Payable	\$ 44,635	\$ 8,454	\$ 53,089
Accrued Liabilities	4,878	10,220	15,098
Accrued Compensated Absences	6,334	7,140	13,474
Customer Deposits	0	67,774	67,774
Net Pension Liability	7,371	10,875	18,246
OPEB Liability	2,384	2,312	4,696
Long-Term Debt-Due Within One Year	15,000	30,033	45,033
Long-Term Debt-Due in More than One Year	<u>155,000</u>	<u>467,000</u>	<u>622,000</u>
TOTAL LIABILITIES	\$ <u>235,602</u>	\$ <u>603,808</u>	\$ <u>839,410</u>
NET POSITION			
Invested in Capital Assets, net of Related Debt	\$ 216,137	\$ 2,096,082	\$ 2,312,219
Restricted for:			
Debt Service	17,739	0	17,739
Unrestricted	<u>503,422</u>	<u>2,254</u>	<u>505,676</u>
TOTAL NET POSITION	\$ <u>737,298</u>	\$ <u>2,098,336</u>	\$ <u>2,835,634</u>

CITY OF NEWARK, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (170,626)	\$ 91,278	\$ 0	\$ 0	\$ (79,348)	--	(79,348)
Public Safety	(127,357)	11,039	60	0	(116,258)	--	(116,258)
Culture & Recreation	(81,383)	219	39,103	0	(42,061)	--	(42,061)
Public Works	(108,173)	0	0	0	(108,173)	--	(108,173)
Loss on Assets No Longer In Use	(70,777)	0	0	0	(70,777)	--	(70,777)
Interest on Long-Term Debt	(8,622)	0	0	0	(8,622)	--	(8,622)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(566,938)</u>	<u>102,536</u>	<u>39,163</u>	<u>0</u>	<u>(425,239)</u>	<u>--</u>	<u>--</u>
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	(537,370)	352,880	0	30,375	--	(154,115)	(154,115)
TOTAL PRIMARY GOVERNMENT	<u>\$ (1,104,308)</u>	<u>\$ 455,416</u>	<u>\$ 39,163</u>	<u>\$ 30,375</u>	<u>\$ (425,239)</u>	<u>(154,115)</u>	<u>(579,354)</u>
GENERAL REVENUE							
Property Taxes					345,666	--	345,666
Sales Taxes					110,263	--	110,263
Franchise Fees					46,428	--	46,428
Interest Income					1,898	0	1,898
Transfers					(21,457)	21,457	0
TOTAL GENERAL REVENUE					<u>482,798</u>	<u>21,457</u>	<u>504,255</u>
CHANGE IN NET POSITION					57,559	(132,658)	(75,099)
NET POSITION - BEGINNING					679,739	2,230,994	2,910,733
NET POSITION - ENDING					<u>\$ 737,298</u>	<u>\$ 2,098,336</u>	<u>\$ 2,835,634</u>

CITY OF NEWARK, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash & Cash Equivalents	\$ 448,545	\$ 22,933	\$ 60,870	\$ 532,348
Receivables:				
Property Taxes	20,827	3,286	0	24,113
Sales Taxes	13,096	0	6,184	19,280
Franchise Fees	887	0	0	887
Prepaid Expenses	3,025	0	0	3,025
TOTAL ASSETS	486,380	26,219	67,054	579,653
LIABILITIES				
Accounts Payable	44,635	0	0	44,635
Accrued Liabilities	2,496	0	0	2,496
TOTAL LIABILITIES	47,131	0	0	47,131
DEFERRED INFOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	20,827	3,286	0	24,113
FUND BALANCE				
Non-Spendable Prepaid Expenses	3,025	0	0	3,025
Restricted:				
Debt Service	0	17,739	0	17,739
Municipal Development	0	0	67,054	67,054
Unassigned	415,397	5,194	0	420,591
TOTAL FUND BALANCE	418,422	22,933	67,054	508,409
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 486,380	\$ 26,219	\$ 67,054	\$ 579,653

CITY OF NEWARK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

For the Year Ended September 30, 2019

Governmental Fund Balance Above	\$	508,409
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		386,137
Property taxes not received within sixty days of year end are not available to pay for current period expenditures and, therefore are deferred in the Fund Balance Sheet		24,113
Deferred outflows for pension contributions effect future pension expense and are considered prepayments in the Statement of Net Position		6,413
Deferred outflows for OPEB effect future OPEB expense and are considered prepayments in the Statement of Net Position		697
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet:		
Certificates of obligation		(170,000)
Accrued interest		(2,382)
Compensated absences		(6,334)
Net pension liability		(7,371)
Net OPEB Liability		(2,384)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>737,298</u>

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

For the Year Ended September 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 293,945	\$ 46,960	\$ 0	\$ 340,905
Sales Taxes	75,090	0	35,173	110,263
Franchise Fees	46,428	0	0	46,428
Intergovernmental	39,103	0	0	39,103
Charges for Services	15,143	0	0	15,143
Municipal Court	11,039	0	0	11,039
Licenses & Permits	23,537	0	0	23,537
Donation Revenues	60	0	0	60
Other Revenues	22,817	0	0	22,817
Conduit Loan Fees	30,000	0	0	30,000
Interest Income	1,898	0	0	1,898
TOTAL REVENUES	559,060	46,960	35,173	641,193
EXPENDITURES				
General Government	165,142	0	0	165,142
Public Safety	125,287	0	0	125,287
Culture & Recreation	70,221	0	0	70,221
Public Works	97,230	0	0	97,230
Debt Service-Principle	0	15,000	0	15,000
Debt Service-Interest	0	8,832	0	8,832
Capital Outlay	77,444	0	0	77,444
TOTAL EXPENDITURES	535,324	23,832	0	559,156
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER SOURCES	23,736	23,128	35,173	82,037
OTHER FINANCING SOURCES (USES)				
Transfer to Water & Sewer Fund	0	(21,457)	0	(21,457)
TOTAL OTHER FINANCING SOURCES (USES)	0	(21,457)	0	(21,457)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	23,736	1,671	35,173	60,580
FUND BALANCE - BEGINNING OF YEAR	394,686	21,262	31,881	447,829
FUND BALANCE - END OF YEAR	\$ 418,422	\$ 22,933	\$ 67,054	\$ 508,409

CITY OF NEWARK, TEXAS
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, 2019

Net Change in Fund Balance - Governmental Funds	\$	60,580
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Capital assets recorded in the current period		77,444
Depreciation expense on capital assets		(26,290)
Undepreciated cost of assets no longer in use		
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Position</p>		
		0
<p>Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of of Net Position</p>		
		15,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Deferred Revenues - Property Taxes		4,761
<p>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:</p>		
Accrued interest		210
Compensated absences		(3,195)
Pension Liability		287
OPEB Liability		(461)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>128,336</u>

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2019

ASSETS	WATER & SEWER FUND
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 56,844
Accounts Receivable (Net)	42,368
Prepaid Expenses	2,367
TOTAL CURRENT ASSETS	<u>101,579</u>
NON-CURRENT ASSETS	
Capital Assets:	
Land	4,400
Construction in Progress	33,828
Buildings	37,712
Equipment	226,786
Distribution & Collection System	4,548,780
	<u>4,851,506</u>
Less Accumulated Depreciation	(2,258,391)
Net Capital Assets	<u>2,593,115</u>
TOTAL ASSETS	<u>\$ 2,694,694</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	\$ 6,728
OPEB Related	722
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,450</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 8,454
Accrued Expenses	10,220
Accrued Compensated Absences	7,140
Customer Deposit Liability	67,774
Finance Contract-Due in One Year	6,033
2013 Certificates of Obligation-Due in One Year	24,000
TOTAL CURRENT LIABILITIES	<u>123,621</u>
NON-CURRENT LIABILITIES	
Net Pension Liability	10,875
OPEB Liability	2,312
2013 Certificates of Obligation	467,000
TOTAL NON-CURRENT LIABILITIES	<u>480,187</u>
TOTAL LIABILITIES	<u>\$ 603,808</u>
NET POSITION	
Invested in Capital Assets, net of Related Debt	\$ 2,096,082
Unrestricted	2,254
TOTAL NET POSITION	<u>\$ 2,098,336</u>

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

For the Year Ended September 30, 2019

	WATER & SEWER
REVENUES:	
Water & Sewer	\$ 335,518
Tap Fees	2,700
Late Charges	10,979
Reconnect Fees	4,372
Miscellaneous Revenues	<u>(689)</u>
TOTAL REVENUES	<u>352,880</u>
EXPENSES	
Personnel	168,343
Repair & Maintenance	49,263
Professional Fees	30,950
Supplies & Contract Service	105,050
Depreciation	<u>164,016</u>
TOTAL EXPENSES	<u>517,622</u>
OPERATING INCOME	<u>(164,742)</u>
NON-OPERATING REVENUES & (EXPENSES):	
Interest Expense	<u>(19,748)</u>
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>(19,748)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Transfers from Debt Service Fund	21,457
Capital Grant	<u>30,375</u>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>51,832</u>
CHANGE IN NET POSITION	<u>(132,658)</u>
NET POSITION - BEGINNING OF YEAR	2,230,994
NET POSITION - END OF YEAR	<u>\$ 2,098,336</u>

**CITY OF NEWARK, TEXAS
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 356,448
Cash Payments to Suppliers for Goods and Services	(190,785)
Cash Payments for Employees Services	(163,306)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,357</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from Debt Service Fund	<u>21,457</u>
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	<u>21,457</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(98,587)
Capital Grants Received	30,375
Principal Paid on Bonds/Finance Contracts	(28,874)
Interest Paid on Bonds/Finance Contracts	(20,256)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(117,342)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>0</u>
 NET INCREASE IN CASH	 (93,528)
 CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	 150,374
 CASH & CASH EQUIVALENTS - END OF YEAR	 \$ <u><u>56,846</u></u>

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

Operating Income (Loss)	\$ (164,742)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	164,016
(Increase) Decrease in Receivables	(1,829)
(Increase) Decrease in Prepaid Expenses	(373)
(Increase) Decrease in Deferred Outflows	(4,758)
Increase (Decrease) in Accounts Payable	(3,013)
Increase (Decrease) in Accrued Expenses	2,699
Increase (Decrease) in Customer Deposits	5,397
Increase (Decrease) in Net Pension Liability	4,960
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,357</u></u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 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 three component units (separately administered organizations that are controlled or dependent on the City); the Newark Cultural Educational Facilities Finance Corporation (NCEFFC), the Newark Higher Education Finance Corporation (NHEFC) and the Newark Municipal Development District (MDD).

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. See Note 8 related to conduit debt.

NHEFS was created in April 2014 primarily for the purpose of proving 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.

The Newark Municipal Development District (the MDD) is governed by a board of directors, all of whom are appointed by the City Council of the City of Newark and any of whom can be removed from office by the City's Council at its' will. The MDD was formed in the state of Texas as a non-profit municipal development district under the laws passed by the Texas Legislature in 2005 which authorized the establishment of municipal development districts. The purpose of the MDD is to promote development within the City of Newark. Separate financial statements of the MDD can be obtained from the City's administrative offices. The MDD began collecting sales tax in October 2017.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's animal control, library, code enforcement and inspection, municipal court, parks, police, public works, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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.

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. 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, 91, Conduit Debt Obligation. This statement is effective for fiscal years beginning after December 15, 2020.

New pronouncements not yet in effect as of September 30, 2019, 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 2020, as required.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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. 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.

3. Prepaid Expenses:

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

4. 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

5. 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".

6. 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

7. 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.

8. 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 and OPEB plans between the measurement date of the net pension liabilities from the plan and the end of the City's fiscal year, (2) deferred outflows of resources related to differences between pension and OPEB expected and actual experience, (3) deferred outflows of resources related to differences between projected and actual pension plan investments, and (4) deferred outflows of resources related to differences in pension and OPEB assumptions changes

The deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. The deferred outflows related to expected and actual experience will be amortized to pension expense over a period of 6.93 years; the deferred outflows related to projected and actual earnings will be amortized to pension expense over a period of 5 years and the deferred outflows related to assumption changes will be amortized to pension expense over a period of 6.95 years. No deferred outflows of resources affect the governmental funds financial statements in the current year.

9. Deferred Inflows of Resources:

The City's statement of government-wide net position reports a separate section for deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). There are no deferred inflows of resources currently reported by the City in its government-wide position reports. In its governmental funds, the only deferred inflow of resources is 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

10. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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.

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, 2019, no departments had expenditures that exceeded appropriations:

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2: DEPOSITS:

At September 30, 2019, the carrying amount of the City's cash accounts was \$589,192, made up of petty cash of \$600 and \$588,592 held in checking accounts a local financial institution. The City did not own any investments at September 30, 2019.

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.

(3) Interest rate risk - This is the risk that changes in interest rates will adversely affect 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, 2019, the City's bank balances (per bank) totaled \$617,988. 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, 2019. Securities pledged by the City depository institution consists of the following:

SECURITY	PAR	FMV
Salado TX ISD bond	\$ 465,000	\$ 482,544

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2019 is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 71,549	\$ 0	\$ 0	\$ 71,549
Construction in Progress	0	0	0	0
Total Capital Assets not Being Depreciated	<u>71,549</u>	<u>0</u>	<u>0</u>	<u>71,549</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	254,694	0	(70,777)	183,917
Equipment	187,398	0	0	187,398
Parks	0	29,802	0	29,802
Infrastructure	192,679	47,642	0	240,321
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>634,771</u>	<u>77,444</u>	<u>(70,777)</u>	<u>641,438</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	144,368	11,250	0	155,618
Equipment	116,851	3,352	0	120,203
Parks	0	745	0	745
Infrastructure	39,341	10,943	0	50,284
TOTAL ACCUMULATED DEPRECIATION	<u>300,560</u>	<u>26,290</u>	<u>0</u>	<u>326,850</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 405,760</u>	<u>\$ 51,154</u>	<u>\$ (70,777)</u>	<u>\$ 386,137</u>
CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	TRANSFERS & RETIREMENTS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	0	33,828	0	33,828
Total Capital Assets not Being Depreciated	<u>4,400</u>	<u>33,828</u>	<u>0</u>	<u>38,228</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	37,712	0	0	37,712
Equipment	193,426	33,360	0	226,786
Water & Sewer System	4,518,888	29,892	0	4,548,780
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>4,750,026</u>	<u>63,252</u>	<u>0</u>	<u>4,813,278</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	15,629	500	0	16,129
Equipment	177,103	13,051	0	190,154
Water & Sewer System	1,901,644	150,464	0	2,052,108
TOTAL ACCUMULATED DEPRECIATION	<u>2,094,376</u>	<u>164,015</u>	<u>0</u>	<u>2,258,391</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2,660,050</u>	<u>\$ (66,935)</u>	<u>\$ 0</u>	<u>\$ 2,593,115</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	4,643
Public Safety		1,197
Library		9,507
Public Works		10,943
TOTAL DEPRECIATION EXPENSE	\$	<u>26,290</u>

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

Water & Sewer	\$	<u>164,015</u>
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NOTE 5: INTERFUND TRANSFERS:

During the fiscal year the debt service fund transferred \$21,457 to the water and sewer fund to pay for one-half of the annual bond principal and interest payments related to the Series 2013 Certificates of Obligation.

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 make 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:

Combination Tax and Revenue Certificates of Obligation, Series 2008 - The certificates 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 certificates require semi-annual payments with the final payment due in June 2028.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Proprietary Fund:

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:					
2008 Tax & Revenue Certificates Payable	\$ 185,000	\$ 0	\$ 15,000	\$ 170,000	\$ 15,000
TOTAL	<u>\$ 185,000</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 170,000</u>	<u>\$ 15,000</u>
BUSINESS-TYPE ACTIVITIES:					
Finance Contract	\$ 11,907	\$ 0	\$ 5,874	\$ 6,033	\$ 6,033
2013 Certificates of Obligation	514,000	0	23,000	491,000	24,000
TOTAL	<u>\$ 525,907</u>	<u>\$ 0</u>	<u>\$ 28,874</u>	<u>\$ 497,033</u>	<u>\$ 30,033</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Future debt maturities are as follows:

Certificates of Obligation

<u>Year</u>	Governmental Type Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 15,000	\$ 8,126	\$ 24,000	\$ 19,016
2021	16,000	7,409	25,000	18,044
2022	17,000	6,644	26,000	17,031
2023	18,000	5,832	28,000	15,960
2024	19,000	4,971	29,000	14,828
2025-2029	85,000	10,372	162,000	55,699
2030-2034	0	0	197,000	20,227
Total	\$ <u>170,000</u>	\$ <u>43,354</u>	\$ <u>491,000</u>	\$ <u>160,805</u>

Finance Contract

<u>Year</u>	Governmental Type Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 0	\$ 0	\$ 6,033	189
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>6,033</u>	\$ <u>189</u>

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 887 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, 2019

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 2018	Plan Year 2019
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, 2018 valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>6</u>
	<u>10</u>

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.

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 3.27% and 2.80% for the calendar years 2019 and 2018 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$7,640 and were equal to the required contributions.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, 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 Combined Healthy Mortality tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018 valuation were developed primarily from the actuarial investigation of experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and annuity purchase rates (APRs) were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, 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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	\$ 70,776	\$ 59,552	\$ 11,224
Service Cost	15,808	-	15,808
Interest	4,955	-	4,955
Changes to Benefit Terms	0	-	0
Differences between expected and actual results	1,593	-	1,593
Changes in Assumptions	0	-	0
Contributions - employer	-	6,034	(6,034)
Contributions - employee	-	11,133	(11,133)
Net investment income	-	(1,795)	1,795
Benefit Payments, including refunds of employee contributions	(10,547)	(10,547)	0
Administrative expense	-	(34)	34
Other	-	(4)	4
Net Changes	<u>11,809</u>	<u>4,787</u>	<u>7,022</u>
Balance at December 31, 2018	\$ <u>82,585</u>	\$ <u>64,339</u>	\$ <u>18,246</u>

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

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ <u>32,893</u>	\$ <u>18,246</u>	\$ <u>6,457</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:

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

For the year ended September 30, 2019 the City recognized pension expense of \$7,074. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2019, 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	Net
Differences between expected and actual economic experience	\$ 2,746	\$ 0	\$ 2,746
Differences in assumptions	1,288	0	1,288
Differences between projected and actual investment earnings	<u>3,070</u>	<u>0</u>	<u>3,070</u>
To be recognized in the future	7,104	0	<u>\$ 7,104</u>
Contributions subsequent to the measurement date	6,037	0	
Total	<u>\$ 13,141</u>	<u>\$ 0</u>	

The \$6,037 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2019	\$	1,374
2020		1,265
2021		1,267
2022		1,829
2023		667
Thereafter		<u>702</u>
	\$	<u>7,104</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A: Benefit Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employer's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SBDF covers both active and retiree participants, with no segregation of assets, the SBDF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SBDF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SBDF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

At the December 31, 2018 valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>6</u>
	7

B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2018, and the Total OPEB Liability was determined by actuarial valuation as of that date.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Discount Rate	3.71%
Retiree's share of benefit costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and are accounted for under reporting requirements under GASB Statement NO. 68.
Mortality Rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 10#% with a e year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor

The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

Changes in Total OPEB Liability:

Balance at December 31, 2017	\$	2,587
Changes for the year		
Service Cost		690
Interest on Total OPEB Liability		97
Differences between expected and actual results		1,731
Changes in assumptions or other inputs		(409)
Benefit Payments *		0
Net Changes		2,109
Balance at December 31, 2018	\$	4,696

* Due to SDBF being considered an unfunded OPEB plan under GASB No. 75, benefit payments are treated as being equal to employer's yearly contribution for retirees

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

Sensitivity of the OPEB liability to changes in the discount rate:

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current (3.31%)	1% Increase (4.71%)
Total OPEB Liability	\$ <u>5,911</u>	\$ <u>4,696</u>	\$ <u>3,782</u>

C: OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2019 the City recognized OPEB expense of \$942.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 1,564	\$ 0	\$ 1,564
Differences in assumptions	<u>0</u>	<u>(145)</u>	<u>(145)</u>
To be recognized in the future	1,564	(145)	<u>\$ 1,419</u>
Contributions subsequent to the measurement date	0	0	
Total	<u>\$ 1,564</u>	<u>\$ (145)</u>	

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,				
2019		\$	155	
2020			155	
2021			155	
2022			155	
2023			155	
Thereafter			<u>644</u>	
		\$	<u>1,419</u>	

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, 2019 through 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, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES (INFLOWS):			
TAX REVENUES			
Property Taxes	\$ 292,000	\$ 293,945	\$ 1,945
Sales Taxes	75,000	75,090	90
Franchise Fees	40,000	46,428	6,428
TOTAL TAX REVENUES	407,000	415,463	8,463
MUNICIPAL COURT FINES & FEES	16,800	11,039	(5,761)
INTERGOVERNMENTAL:			
Library Grants	27,903	39,103	11,200
TOTAL INTERGOVERNMENTAL	27,903	39,103	11,200
CHARGES FOR SERVICES			
Library Fees	600	219	(381)
Garbage Collection Net of Expense	16,000	14,924	(1,076)
TOTAL CHARGES FOR SERVICES	16,600	15,143	(1,457)
LICENSE & PERMITS			
Building Permits	15,000	23,332	8,332
Animal Registration	600	205	(395)
TOTAL LICENSES & PERMITS	15,600	23,537	7,937
DONATIONS/GRANTS			
Donations- Fire Department	0	60	60
TOTAL DONATIONS/GRANTS	0	60	60
OTHER REVENUES			
Cell Tower Rental	20,453	20,552	99
Conduit Loan Fees	30,000	30,000	0
Other Income	300	181	(119)
Gas Lease Income	2,000	2,084	84
TOTAL OTHER REVENUES	52,753	52,817	64
INVESTMENT INCOME	0	1,898	1,898
TOTAL RESOURCES	\$ 536,656	\$ 559,060	\$ 22,404

CITY OF NEWARK, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

CHARGES TO APPROPRIATIONS:	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
ADMINISTRATION:			
Salaries & Wages	95,000	49,496	45,504
Payroll Taxes	7,600	3,698	3,902
Retirement	3,040	1,451	1,589
Health Insurance	24,000	13,253	10,747
Audit Services	7,500	7,500	0
Legal Services	7,000	41,142	(34,142)
Tax Collection Fees	5,200	5,302	(102)
Building Inspection Fees	5,000	4,565	435
Building Maintenance	4,000	2,995	1,005
Codification Services	2,500	2,200	300
Computer Expense	5,000	8,499	(3,499)
Dues & Subscriptions	1,000	905	95
Election	2,000	0	2,000
Insurance	2,950	5,101	(2,151)
Office Supplies, Copier, Postage & Other Exp.	7,656	8,282	(626)
Public Notices	1,700	1,145	555
Telephone & Utilities	8,900	9,284	(384)
Travel & Training	2,000	324	1,676
TOTAL ADMINISTRATION	192,046	165,142	26,904
PUBLIC SAFETY:			
Animal Control	4,800	3,147	1,653
Police-Contract Labor	40,000	35,495	4,505
Insurance	1,078	2,479	(1,401)
Judge & Prosecutor	20,000	11,051	8,949
Salary & Wages-Municipal Court	35,360	21,818	13,542
Payroll Taxes-Municipal Court	1,500	1,565	(65)
Retirement-Municipal Court	600	645	(45)
Health Insurance-Municipal Court	11,285	5,597	5,688
Supplies & Software	3,500	8,078	(4,578)
Training	500	40	460
Warrant Services	500	0	500
Code Enforcement	20,000	27,372	(7,372)
TOTAL PUBLIC SAFETY	139,123	117,287	21,836
FIRE DEPARTMENT:			
Fire Protection Services	8,000	8,000	0
TOTAL FIRE DEPARTMENT	8,000	8,000	0

CITY OF NEWARK, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2019

	ORIGINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS:			
Salaries & Wages	31,200	28,897	2,303
Payroll Taxes	2,500	2,255	245
Retirement	100	663	(563)
Health Insurance	11,284	7,427	3,857
Engineer	2,000	950	1,050
Insurance	7,482	3,910	3,572
Street Lights	23,000	10,602	12,398
Street Maintenance	3,000	3,446	(446)
Mowing	36,000	36,415	(415)
Equipment Maintenance	1,500	2,665	(1,165)
TOTAL PUBLIC WORKS	118,066	97,230	20,836
LIBRARY:			
Salaries & Wages	30,396	29,558	838
Payroll Taxes	2,400	2,255	145
Retirement	450	986	(536)
Health Insurance	0	1,566	(1,566)
Books, DVD's and Subscriptions	3,250	3,810	(560)
Supplies	1,650	5,009	(3,359)
Building Maintenance	10,000	300	9,700
Events	2,500	4,015	(1,515)
Telephone & Utilities	5,600	3,639	1,961
Security	355	371	(16)
TOTAL LIBRARY	56,601	51,509	5,092
PARKS:			
Supplies & Maintenance	0	392	0
Hovey House Demo	20,000	18,320	(392)
TOTAL PARKS	20,000	18,712	(392)
TOTAL APPROPRIATIONS	533,836	457,880	74,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS AND CAPITAL OUTLAY	\$ 2,820	\$ 101,180	\$ 96,680
CAPITAL OUTLAY:			
Parks	(30,000)	(29,802)	198
Public Works	(45,323)	(47,642)	(2,319)
TOTAL CAPITAL OUTLAY	(75,323)	(77,444)	(2,121)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(72,503)	23,736	\$ 94,559
BUDGETARY FUND BALANCE:			
BEGINNING OF YEAR	\$ 394,686	\$ 394,686	
END OF YEAR	\$ 322,183	\$ 418,422	

CITY OF NEWARK, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2019

Plan Year	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service Cost	\$ 15,808	14,688	14,171	9,904	7,192
Interest (on the Total Pension Liability)	4,955	4,099	2,968	1,853	1,192
Changes in benefit terms	0	0	0	0	13,737
Difference between expected and actual experience	1,593	(6)	745	1,451	0
Change of assumptions	0	0	0	2,153	0
Benefit payments, including refunds of employee contributions	(10,547)	(2,769)	0	0	(602)
NET CHANGE IN TOTAL PENSION LIABILITY	11,809	16,012	17,884	15,361	21,519
TOTAL PENSION LIABILITY - BEGINNING	70,776	54,764	36,880	21,519	0
TOTAL PENSION LIABILITY - ENDING (a)	\$ 82,585	70,776	54,764	36,880	21,519
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	\$ 6,034	6,846	6,975	5,177	3,199
Contributions - Employee	11,133	10,832	10,158	7,481	5,432
Net investment income	(1,795)	5,461	1,406	12	0
Benefit payments, including refunds of employee contributions	(10,547)	(2,769)	0	0	(602)
Administrative expense	(34)	(28)	(16)	(9)	0
Other	(4)	(2)	(1)	0	0
NET CHANGE IN PLAN FIDUCIARY NET POSITION	4,787	20,340	18,522	12,661	8,029
PLAN NET FIDUCIARY POSITION - BEGINNING	59,552	39,212	20,690	8,029	0
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 64,339	59,552	39,212	20,690	8,029
NET PENSION LIABILITY (a) - (b)	\$ 18,246	11,224	15,552	16,190	13,490
Plan Fiduciary Net Position as a percentage of Total Pension Liability	77.91%	84.14%	71.60%	56.10%	37.31%
Covered employee payroll	\$ 222,650	216,633	205,675	149,610	108,634
Net Pension Asset as a percentage of covered payroll	8.19%	5.18%	7.56%	10.82%	12.42%

CITY OF NEWARK, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30,

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 7,640	6,328	7,263	6,679	4,720
Contributions in relation to the actuarially determined contribution	7,640	6,328	7,263	6,679	4,720
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	241,856	217,632	220,211	200,526	135,192
Contributions as a percentage of covered employee payroll	3.16%	2.91%	3.30%	3.33%	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	11 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
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

CITY OF NEWARK

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2019

Plan Year	2018	2017
TOTAL OPEB LIABILITY		
Total OPEB Liability Beginning of Year	\$ 2,587	1,629
Changes for the year		
Service Cost	690	607
Interest on Total OPEB Liability	97	73
Changes in benefit terms	0	0
Difference between expected and actual experience	1,731	0
Change of assumptions or other inputs	(409)	278
Benefit payments	0	0
NET CHANGE IN OPEB LIABILITY	<u>2,109</u>	<u>958</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 4,696</u>	<u>2,587</u>
Covered employee payroll	\$ 222,650	216,633
OPEB Liability as a percentage of covered payroll	2.11%	1.19%

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-GOVERNMENTAL FUNDS

For the Years Ended September 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
RESOURCES (INFLOWS):			
TAX REVENUES			
Property Taxes	\$ 340,905	\$ 323,265	\$ 267,586
Sales Taxes	75,090	70,125	103,042
Municipal Development District Sales Taxes	35,173	31,881	0
Franchise Fees	46,428	44,889	41,085
TOTAL TAX REVENUES	<u>497,596</u>	<u>470,160</u>	<u>411,713</u>
MUNICIPAL COURT FINES & FEES	<u>11,039</u>	<u>16,398</u>	<u>16,598</u>
INTERGOVERNMENTAL:			
Library Grants	39,103	27,891	27,904
Enhancement Grant	0	0	10,000
TOTAL INTERGOVERNMENTAL	<u>39,103</u>	<u>27,891</u>	<u>37,904</u>
CHARGES FOR SERVICES			
Library Fees	219	1,157	360
Garbage Collection Net of Expense	14,924	0	0
TOTAL CHARGES FOR SERVICES	<u>15,143</u>	<u>1,157</u>	<u>360</u>
LICENSE & PERMITS			
Building Permits	23,332	15,952	22,668
Animal Registration	205	594	527
TOTAL LICENSES & PERMITS	<u>23,537</u>	<u>16,546</u>	<u>23,195</u>
DONATIONS/GRANTS			
Donations- Fire Department	60	49	5
Donations-Library	0	20	0
TOTAL DONATIONS/GRANTS	<u>60</u>	<u>69</u>	<u>5</u>
OTHER REVENUES			
Cell Tower Rental	20,552	19,888	18,293
Conduit Loan Fees	30,000	62,481	90,000
Other Income	181	273	749
Gas Lease Income	2,084	2,134	2,518
TOTAL OTHER REVENUES	<u>52,817</u>	<u>84,776</u>	<u>111,560</u>
INVESTMENT INCOME	<u>1,898</u>	<u>1,155</u>	<u>377</u>
TOTAL RESOURCES	<u>\$ 641,193</u>	<u>\$ 618,152</u>	<u>\$ 601,712</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-GOVERNMENTAL FUNDS

For the Years Ended September 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CHARGES TO APPROPRIATIONS:			
ADMINISTRATION:			
Salaries & Wages	49,496	98,423	103,926
Payroll Taxes	3,698	7,818	7,955
Retirement	1,451	2,858	3,256
Health Insurance	13,253	22,995	23,654
Audit Services	7,500	7,500	7,500
Legal Services	41,142	19,691	20,102
Tax Collection Fees	5,302	5,147	4,000
Building Inspection Fees	4,565	4,811	8,791
Building Maintenance	2,995	6,540	3,275
Codification Services	2,200	1,795	0
Computer Expense	8,499	7,007	5,562
Community Center-Enhancement Project	0	38,145	0
Dues & Subscriptions	905	984	843
Election	0	1,963	5,552
Insurance	5,101	5,178	7,344
Office Supplies, Copier, Postage & Other Exp.	8,282	6,406	8,879
Public Notices	1,145	2,024	3,446
Telephone & Utilities	9,284	9,326	8,838
Travel & Training	324	2,180	1,113
Debt Service	23,832	23,514	27,182
TOTAL ADMINISTRATION	<u>188,974</u>	<u>274,305</u>	<u>251,218</u>
 PUBLIC SAFETY:			
Animal Control	3,147	5,070	5,070
Police-Contract Labor	35,495	28,116	31,233
Insurance	2,479	2,876	3,334
Judge & Prosecutor	11,051	33,181	16,215
Salary & Wages-Municipal Court	21,818	20,857	17,191
Payroll Taxes-Municipal Court	1,565	1,473	1,282
Retirement-Municipal Court	645	194	444
Health Insurance-Municipal Court	5,597	4,376	3,712
Supplies & Software	8,078	5,021	2,637
Training	40	1,241	731
Warrant Services	0	0	530
Code Enforcement	27,372	16,574	21,997
TOTAL PUBLIC SAFETY	<u>117,287</u>	<u>118,979</u>	<u>104,376</u>
 FIRE DEPARTMENT:			
Fire Protection Services	8,000	8,000	8,000
TOTAL FIRE DEPARTMENT	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-GOVERNMENTAL FUNDS

For the Years Ended September 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
PUBLIC WORKS:			
Salaries & Wages/Contract Labor	28,897	24,770	26,369
Payroll Taxes	2,255	1,621	1,904
Retirement	663	188	683
Health Insurance	7,427	4,296	7,425
Engineering	950	0	1,207
Insurance	3,910	0	0
Street Lights	10,602	14,856	14,220
Street Maintenance	3,446	838	4,314
Mowing	36,415	10,732	40,975
Equipment Maintenance	2,665	2,463	1,039
TOTAL PUBLIC WORKS	<u>97,230</u>	<u>59,764</u>	<u>98,136</u>
LIBRARY:			
Salaries & Wages	29,558	26,742	18,706
Payroll Taxes	2,255	2,403	1,445
Retirement	986	0	0
Health Insurance	1,566	0	0
Books and Supplies	8,819	6,271	6,110
Building Maintenance	300	1,297	160
Events	4,015	2,295	0
Telephone & Utilities	3,639	4,190	5,276
Security	371	319	335
TOTAL LIBRARY	<u>51,509</u>	<u>43,517</u>	<u>32,032</u>
PARKS:			
Supplies & Maintenance	392	219	395
Hovey House Demolition	18,320	0	0
TOTAL PARKS	<u>18,712</u>	<u>219</u>	<u>395</u>
TOTAL APPROPRIATIONS	<u>481,712</u>	<u>504,784</u>	<u>494,157</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS AND CAPITAL OUTLAY	\$ 159,481	\$ 113,368	\$ 107,555
CAPITAL OUTLAY:			
Administration	0	(5,439)	(66,444)
Municipal Court	0	(3,591)	0
Parks	(29,802)	0	0
Public Works	(47,642)	0	(47,425)
TOTAL CAPITAL OUTLAY	<u>(77,444)</u>	<u>(9,030)</u>	<u>(113,869)</u>
OTHER SOURCES (USES)			
Transfer to Water & Sewer	<u>(21,457)</u>	<u>(21,920)</u>	<u>(21,852)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 60,580</u>	<u>\$ 82,418</u>	<u>\$ (28,166)</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES - WATER & SEWER FUND

For the Year Ended September 30, 2019, 2018 & 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES:			
CHARGES FOR SERVICES			
Water & Sewer	\$ 335,518	\$ 352,134	\$ 331,562
Garbage	0	95,347	89,054
Tap Fees	2,700	3,000	7,500
Late Charges	10,979	10,897	10,839
Reconnect Fees	4,372	7,224	4,334
Miscellaneous	(689)	(82)	1,116
TOTAL OPERATING REVENUES	<u>352,880</u>	<u>468,520</u>	<u>444,405</u>
OPERATING EXPENSES			
PERSONNEL			
Salary & Wages	127,445	115,303	88,439
Health Insurance	27,319	25,019	18,724
Retirement	4,096	3,191	2,899
Payroll Taxes	9,483	9,242	6,722
TOTAL PERSONNEL	<u>168,343</u>	<u>152,755</u>	<u>116,784</u>
PROFESSIONAL FEES			
Engineering	950	840	5,715
Master Plan	30,000	0	0
TOTAL PROFESSIONAL FEES	<u>30,950</u>	<u>840</u>	<u>5,715</u>
SUPPLIES & CONTRACT SERVICES			
Electricity	33,861	31,921	29,598
Garbage Collection	0	79,729	75,017
Insurance	7,820	13,326	13,652
IT Software & Support	15,164	1,640	0
Lab Fees	20,691	18,416	16,639
Office Supplies	505	287	440
Other Expenses	1,911	1,410	701
Permits & Inspections	3,309	3,309	4,166
Postage	3,163	2,520	4,154
Supplies	5,317	12,359	15,263
Telephone	3,062	4,591	5,118
Training	0	699	1,656
Vehicle Expenses	10,247	8,383	6,217
TOTAL SUPPLIES & CONTRACT SERVICES	<u>105,050</u>	<u>178,590</u>	<u>172,621</u>
REPAIRS & MAINTENANCE			
Lift Station Expense	0	0	1,798
Supplies & Equipment	4,559	3,693	5,799
Sewer System	19,186	17,413	23,806
Water System	25,518	17,508	6,358
TOTAL REPAIRS & MAINTENANCE	<u>49,263</u>	<u>38,614</u>	<u>37,761</u>
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	<u>353,606</u>	<u>370,799</u>	<u>332,881</u>
OPERATING INCOME BEFORE DEPRECIATION	<u>(726)</u>	<u>97,721</u>	<u>111,524</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES & EXPENSES - WATER & SEWER FUND

For the Year Ended September 30, 2019, 2018 & 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
DEPRECIATION	<u>164,016</u>	<u>163,135</u>	<u>165,332</u>
OPERATING INCOME	<u>(164,742)</u>	<u>(65,414)</u>	<u>(53,808)</u>
NON-OPERATING REVENUES & (EXPENSES):			
Investment Income	0	128	30
Sale of Assets	0	0	2,064
Interest Expense	<u>(19,748)</u>	<u>(20,336)</u>	<u>(22,025)</u>
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>(19,748)</u>	<u>(20,208)</u>	<u>(19,931)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS	<u>(184,490)</u>	<u>(85,622)</u>	<u>(73,739)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Grants	30,375	0	0
Transfers from Debt Service Fund	<u>21,457</u>	<u>21,920</u>	<u>21,852</u>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>51,832</u>	<u>21,920</u>	<u>21,852</u>
CHANGE IN NET POSITION	<u>\$ (132,658)</u>	<u>\$ (63,702)</u>	<u>\$ (51,887)</u>

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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, 2019, 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 August 20, 2020.

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

August 20, 2020