

CITY OF NEWARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023



**CITY OF NEWARK, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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Financial Section



Independent Auditor's Report on Financial Statements

City Council
City of Newark, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Newark, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Newark, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Newark, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Newark, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Newark, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 5 through 12 and 40 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newark, Texas' basic financial statements. The accompanying comparative schedule of revenues and expenditures – general fund and comparative statement of revenues and expenses – water and sewer fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 our opinion, the other supplementary information is 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*, we have also issued our report dated May 15, 2025, on our consideration of the City of Newark, Texas' 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' 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 City of Newark, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
May 15, 2025

CITY OF NEWARK, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2023

MAYOR	Crystal Cardwell
MAYOR PRO TEM	Chris Raines
COUNCIL MEMBERS	Jennifer Hill
	Nathanial Butler
	Richard Sidebottom
	Melanie Payne
CITY SECRETARY	Jenni Moore
ATTORNEY	Andy Messer

CITY OF NEWARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Newark, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. The information provided here should be used in conjunction with the basic financial statements.

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

FINANCIAL HIGHLIGHTS

- At September 30, 2023, government-wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,379,667 (net position), an increase of \$198,874 over the prior period.
- Of the total government-wide net position, \$1,065,831 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$1,031,626. The unassigned General Fund balance is \$655,494 or 99% of General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 13) presents information on the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 14) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

- Governmental activities - Most of the City's basic services are reported here, including animal control, code enforcement and inspection, library, municipal court, parks, police, public works, and general administration. Property taxes, sales taxes, franchise fees, permit revenues, and municipal court fines finance most of these activities. Governmental type activities also include the City's three component units, the Newark Cultural Educational Facilities Finance Corporation, the Newark Higher Education Finance Corporation, and the Newark Municipal Development District, which are legally separate but financially accountable to the City.
- Business-type Activities - The City charges a user fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds - not the City as a whole. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements; however, the City Council may establish other funds to help it control and manage money for particular purposes. The City's kinds of funds - *governmental and proprietary* - use different accounting approaches.

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current & other assets	\$1,178,128	\$1,063,252	\$ 497,863	\$ 372,604	\$ 1,675,991	\$ 1,435,856
Net pension asset	-	11,027	-	3,637	-	14,664
Capital assets, net	428,461	414,384	3,015,340	3,148,993	3,443,801	3,563,377
Total assets	<u>1,606,589</u>	<u>1,488,663</u>	<u>3,513,203</u>	<u>3,525,234</u>	<u>5,119,792</u>	<u>5,013,897</u>
Total deferred outflow of resources	<u>8,718</u>	<u>3,642</u>	<u>4,151</u>	<u>1,202</u>	<u>12,869</u>	<u>4,844</u>
Current liabilities	133,804	189,621	157,857	125,223	291,661	314,844
Long-term liabilities	85,000	104,000	365,018	399,754	450,018	503,754
Net pension & OPEB liabilities	4,848	4,825	2,309	1,591	7,157	6,416
Total liabilities	<u>223,652</u>	<u>298,446</u>	<u>525,184</u>	<u>526,568</u>	<u>748,836</u>	<u>825,014</u>
Total deferred inflow of resources	<u>2,817</u>	<u>9,726</u>	<u>1,341</u>	<u>3,208</u>	<u>4,158</u>	<u>12,934</u>
Net position:						
Net investment in capital assets	324,461	292,384	2,615,586	2,715,773	2,940,047	3,008,157
Restricted	373,789	273,985	-	-	373,789	273,985
Unrestricted	690,588	617,764	375,243	280,887	1,065,831	898,651
Total net position	<u>\$1,388,838</u>	<u>\$1,184,133</u>	<u>\$ 2,990,829</u>	<u>\$ 2,996,660</u>	<u>\$ 4,379,667</u>	<u>\$ 4,180,793</u>

At September 30, 2023, the City had total assets of \$5,119,792 which included capital assets of \$3,443,801. These capital assets represent 67% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending. The City's total liabilities decreased \$76,178 or 9% due to the decrease in unearned revenues from recognition of ARPA grant funds and a reduced long-term debt balance.

The City's net position (assets plus deferred outflows less liabilities and deferred inflows) increased \$198,874 a 5% increase in net position during the fiscal year. Restricted net position is \$373,789 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$1,065,831 or 24% of total net position and may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of City's Operations

An analysis of the government-wide changes in net position is as follows:

STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Fees, fines, & charges for services	\$ 129,722	\$ 225,820	\$ 568,226	\$ 514,761	\$ 697,948	\$ 740,581
Operating grants & contributions	17,384	42,763	-	-	17,384	42,763
Capital grants & contributions	-	-	57,330	284,615	57,330	284,615
General revenues:						
Property taxes	399,266	389,976	-	-	399,266	389,976
Sales taxes	269,322	231,430	-	-	269,322	231,430
Franchise fees	56,134	47,536	-	-	56,134	47,536
Gain on sale of assets	-	-	-	-	-	-
Investment earnings	10,518	825	-	-	10,518	825
Total revenues	<u>882,346</u>	<u>938,350</u>	<u>625,556</u>	<u>799,376</u>	<u>1,507,902</u>	<u>1,737,726</u>
Expenses						
General government	297,263	406,870	-	-	297,263	406,870
Public safety	132,090	106,556	-	-	132,090	106,556
Culture & recreation	20,436	13,215	-	-	20,436	13,215
Public works	200,313	132,640	-	-	200,313	132,640
Interest on long-term debt	5,581	6,417	15,407	16,518	20,988	22,935
Water & sewer	-	-	637,938	548,648	637,938	548,648
Total expenses	<u>655,683</u>	<u>665,698</u>	<u>653,345</u>	<u>565,166</u>	<u>1,309,028</u>	<u>1,230,864</u>
Transfers	<u>(21,958)</u>	<u>(121,902)</u>	<u>21,958</u>	<u>121,902</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 204,705</u>	<u>\$ 150,750</u>	<u>\$ (5,831)</u>	<u>\$ 356,112</u>	<u>\$ 198,874</u>	<u>\$ 506,862</u>

Fiscal year 2023 governmental activities revenues (before transfers) decreased \$56,004 or 6% over 2022 governmental activities revenues. Fees, fines, and charges for services revenues decreased \$96,098 or 43% from 2022 mainly due to a decrease in building permits. This decrease in permit revenues was offset by the increase in sales tax revenue. Sales tax revenues increased \$37,892 or 16% due to an increase in retail sales as the City continues to grow and attract new business. Interest earned on the City's investments increased \$9,693 or 1,175% in 2023 resulting from higher interest rates.

The City continued to closely monitor its governmental operating expenses during the fiscal year. Total governmental operating expenses decreased \$10,015 or 2% from 2022 to 2023. General government expenses decreased \$109,607 or 27% primarily due to a decrease in building inspector fees in 2023. However, these gains during 2023 were offset by increased expenses in Public Safety and Public Works. Public Safety operating expenses increased \$25,534 or 24%, mainly driven by the addition of a Code Enforcement director who was hired in December 2022. Public Works expenses increased by \$67,673 or 51%, due to higher street maintenance expenses of \$52,529 or 1,068%.

Fiscal year 2023 business-type activities revenues decreased \$173,820 or 22% from 2022 to 2023 driven by reduced grant funds of \$227,825 or 80%. The lower grant fund revenues was offset by higher water and sewer revenues of \$47,785 or 10%. Business-type activities expenses increased \$88,179 or 16% from 2022 driven by higher payroll, equipment and depreciation expenses, in the amounts of \$27,913, \$28,798 and \$24,727, respectively.

GOVERNMENTAL FUND ANALYSIS

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

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$1,031,626, which is an increase of \$163,546 or 19% from the prior year. The components of the governmental fund balances are as follows:

	As of September 30, 2023	2022
Non-spendable prepaid expenses	\$ 2,343	\$ 1,454
Restricted		
Debt service	33,724	23,490
Municipal Development	340,065	250,495
Total restricted	373,789	273,985
Unassigned	655,494	592,641
Total fund balance	\$ 1,031,626	\$ 868,080

Proprietary funds - The City's proprietary fund statements (Water and Sewer Fund) provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund at year end totaled \$375,243, which represents a decrease to the net position of the fund of \$5,831 or 0.3% from the prior period.

General Fund Budgetary Highlights

During the fiscal year, the City Council made budgetary amendments increasing General Fund revenues in the amount of \$21,227 and decreasing expenditures in the amount of \$207,942. The amended budget resulted in a budget deficit of \$54,207. Actual revenues were unfavorable to budgeted revenues by \$73,827 and actual expenditures were favorable to budgeted expenditures by \$191,776.

A General Fund budget - actual summary for 2023 is as follows:

	Amended Budget	Actual	Variance
Revenues			
Taxes	\$ 575,000	\$ 571,700	\$ (3,300)
Municipal court fines & fees	21,700	8,102	(13,598)
Licenses & permits	27,000	26,030	(970)
Charges for services	15,146	15,146	-
Grants & donations	65,909	13,009	(52,900)
Other revenues	93,650	80,444	(13,206)
Investment income	-	10,147	10,147
Total revenues	\$ 798,405	\$ 724,578	\$ (73,827)

General Fund budget – actual summary continued:

	Amended Budget	Actual	Variance
Expenditures			
Administration	\$ 497,145	\$ 285,273	\$ 211,872
Public safety	117,759	114,931	2,828
Fire department	15,000	15,000	-
Culture & recreation	15,500	7,914	7,586
Public works	133,458	182,083	(48,625)
Capital outlay	73,750	55,635	18,115
Total expenditures	<u>852,612</u>	<u>660,836</u>	<u>191,776</u>
Excess of revenues over (under) expenditures	<u>\$ (54,207)</u>	<u>\$ 63,742</u>	<u>\$ 117,949</u>

PENSIONS AND OPEB

The City is committed to providing retirement programs that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used, including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, The City's financial statements reflect a net pension liability as of September 30, 2023, of \$3,065 which is 1.19% of the City's annual covered payroll of \$258,064. The City's net pension liability increased \$11,599 from September 30, 2022 to September 30, 2023.

Effective for fiscal year 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The City's OPEB liability as of September 30, 2023, was \$4,092, a decrease of \$2,324 from September 30, 2022.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2023, amounts to \$3,443,801 (net of depreciation). The investment in capital assets includes land, construction in process, buildings, equipment, and infrastructure. Infrastructure includes streets, drainage, water, and sewer systems. Capital assets added in 2023 include a new server and computers of \$20,885, two generators of \$35,000 and push camera of \$14,562. The City's capital assets, net of accumulated depreciation, are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 71,549	\$ 71,549	\$ 4,400	\$ 4,400	\$ 75,949	\$ 75,949
Construction in process	19,750	-	32,100	-	51,850	-
Buildings & improvements	76,847	92,255	22,138	23,058	98,985	115,313
Equipment	51,912	21,794	130,819	104,921	182,731	126,715
Parks	20,510	24,053	-	-	20,510	24,053
Streets & drainage	187,893	204,733	-	-	187,893	204,733
Waterworks & sewer system	-	-	2,825,883	3,016,614	2,825,883	3,016,614
Totals	<u>\$ 428,461</u>	<u>\$ 414,384</u>	<u>\$ 3,015,340</u>	<u>\$ 3,148,993</u>	<u>\$ 3,443,801</u>	<u>\$ 3,563,377</u>

Additional information on the City's capital assets can be found in Note 4.

DEBT ADMINISTRATION

The City did not add any long-term debt during the fiscal year ended September 30, 2023. Outstanding long-term debts are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Financed purchase	\$ -	\$ -	\$ 11,754	\$ 17,220	\$ 11,754	\$ 17,220
Certificates of obligation	104,000	122,000	388,000	416,000	492,000	538,000
Total long-term debt	<u>\$ 104,000</u>	<u>\$ 122,000</u>	<u>\$ 399,754</u>	<u>\$ 433,220</u>	<u>\$ 503,754</u>	<u>\$ 555,220</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted General Fund revenues for fiscal year 2024 are \$1,133,798, a \$237,411 decrease from final 2023 budgeted revenues. The tax rate applied in the 2024 budget is \$0.0383221 cents per \$100 of valuation, a decrease of \$0.064835 cents per \$100 of valuation from the 2023 tax rate.

Budgeted General Fund expenditures for fiscal year 2024 are \$1,364,063. Of this amount, wages for administration, code enforcement, police contract services, and public works represent \$176,800, \$62,400, \$40,000 and 212,296, respectively. For fiscal year 2024 budget purposes, all water and sewer personnel costs are included the General Fund public works budget. The net budget has a deficit of \$230,226 in the General Fund for fiscal year 2024.

Water and Sewer Fund 2024 budgeted revenues are \$1,414,500, an increase of \$846,274 over the fiscal year 2023 actual operating revenues as the City anticipates \$900,000 in funding from Northwest ISD. Budgeted Water and Sewer Fund expenditures total \$1,184,174. Of this amount, expected costs include \$900,000 for a water tank, \$70,000 for water and sewer system expenses and \$22,000 for debt service payments. The net budget reflects a surplus of \$230,236 in the Water Sewer Fund for fiscal year 2024.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City of Newark. If you have questions about this report or need additional information, contact the City Secretary at: 209 Hudson Street, Newark, TX 76071 or at 817-489-2201.

Basic Financial Statements

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & equivalents	\$ 715,271	\$ 362,851	\$ 1,078,122
Accounts receivable (net of allowances)	103,385	56,397	159,782
Prepaid expenses	2,343	1,398	3,741
Restricted cash & equivalents	357,129	77,217	434,346
Capital assets:			
Land	71,549	4,400	75,949
Buildings & improvements	283,573	41,912	325,485
Equipment	223,016	405,953	628,969
Infrastructure	304,943	5,550,162	5,855,105
Construction in progress	19,750	32,100	51,850
Less - accumulated depreciation	(474,370)	(3,019,187)	(3,493,557)
Total assets	<u>1,606,589</u>	<u>3,513,203</u>	<u>5,119,792</u>
Deferred Outflows of Resources			
Pension related	8,539	4,066	12,605
OPEB related	179	85	264
Total deferred outflows of resources	<u>8,718</u>	<u>4,151</u>	<u>12,869</u>
Liabilities			
Accounts payable	14,606	29,550	44,156
Accrued liabilities	9,645	10,880	20,525
Accrued compensated absences	7,955	5,474	13,429
Customer deposits	-	77,217	77,217
Unearned revenues	82,598	-	82,598
Net pension liability	2,076	989	3,065
OPEB liability	2,772	1,320	4,092
Long-term debt-due within one year	19,000	34,736	53,736
Long-term debt-due in more than one year	85,000	365,018	450,018
Total liabilities	<u>223,652</u>	<u>525,184</u>	<u>748,836</u>
Deferred Inflows of Resources			
Pension related	1,269	604	1,873
OPEB related	1,548	737	2,285
Total deferred inflows of resources	<u>2,817</u>	<u>1,341</u>	<u>4,158</u>
Net Position			
Net investment in capital assets, net of related debt	324,461	2,615,586	2,940,047
Restricted for:			
Debt service	33,724	-	33,724
Special revenues	340,065	-	340,065
Unrestricted	690,588	375,243	1,065,831
Total net position	<u>\$ 1,388,838</u>	<u>\$ 2,990,829</u>	<u>\$ 4,379,667</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (297,263)	\$ 121,620	\$ 13,009	\$ -	\$ (162,634)	\$ -	\$ (162,634)
Public safety	(132,090)	8,102	-	-	(123,988)	-	(123,988)
Culture & recreation	(20,436)	-	4,375	-	(16,061)	-	(16,061)
Public works	(200,313)	-	-	-	(200,313)	-	(200,313)
Interest on long-term debt	(5,581)	-	-	-	(5,581)	-	(5,581)
Total governmental activities	<u>(655,683)</u>	<u>129,722</u>	<u>17,384</u>	<u>-</u>	<u>(508,577)</u>	<u>-</u>	<u>(508,577)</u>
Business-type activities:							
Water & sewer	(653,345)	568,226	-	57,330	-	(27,789)	(27,789)
Total business-type activities	<u>(653,345)</u>	<u>568,226</u>	<u>-</u>	<u>57,330</u>	<u>-</u>	<u>(27,789)</u>	<u>(27,789)</u>
Total primary government	<u>\$ (1,309,028)</u>	<u>\$ 697,948</u>	<u>\$ 17,384</u>	<u>\$ 57,330</u>	<u>(508,577)</u>	<u>(27,789)</u>	<u>(536,366)</u>
General revenues:							
Property taxes					399,266	-	399,266
Sales taxes					269,322	-	269,322
Franchise fees					56,134	-	56,134
Interest income					10,518	-	10,518
Transfers					(21,958)	21,958	-
Total general revenues and transfers					<u>713,282</u>	<u>21,958</u>	<u>735,240</u>
Change in net position					204,705	(5,831)	198,874
Net position, beginning					1,184,133	2,996,660	4,180,793
Net position, ending					<u>\$ 1,388,838</u>	<u>\$ 2,990,829</u>	<u>\$ 4,379,667</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS**BALANCE SHEET - GOVERNMENTAL FUNDS****SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund	Municipal Development Fund	Total Governmental Funds
Assets:				
Cash & cash equivalents	\$ 715,271	\$ 33,724	\$ 323,406	\$ 1,072,401
Receivables:				
Property taxes	31,566	5,162	-	36,728
Sales taxes	33,879	-	16,659	50,538
Franchise fees	1,690	-	-	1,690
Garbage	10,053	-	-	10,053
Grants	4,375	-	-	4,375
Prepaid expenses	2,343	-	-	2,343
Total assets	\$ 799,177	\$ 38,886	\$ 340,065	\$ 1,178,128
Liabilities:				
Accounts payable	\$ 14,606	\$ -	\$ -	\$ 14,606
Accrued liabilities	8,195	-	-	8,195
Unearned revenue-grants	82,598	-	-	82,598
Total liabilities	105,399	-	-	105,399
Deferred inflows of resources:				
Unavailable revenue-property taxes	31,566	5,162	-	36,728
Unavailable revenue-grants	4,375	-	-	4,375
	35,941	5,162	-	41,103
Fund balances:				
Non-spendable prepaid expenses	\$ 2,343	\$ -	\$ -	\$ 2,343
Restricted:				-
Debt service	-	33,724	-	33,724
Municipal Development	-	-	340,065	340,065
Unassigned	655,494	-	-	655,494
Total fund balances	657,837	33,724	340,065	1,031,626
Total liabilities and fund balances	\$ 799,177	\$ 38,886	\$ 340,065	\$ 1,178,128

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 1,031,626

Amounts reported for governmental activities in the statement of net position (Exhibit A-1)
are different because:

Capital assets used in governmental activities are not financial resources and
therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 902,831	
Less accumulated depreciation	<u>(474,370)</u>	428,461

Property taxes, municipal court, and grant receivables are not available to pay for current
period expenditures and therefore are deferred in the funds. 41,103

The City's proportionate share of net pension liability as well as pension-related
deferred outflows and deferred inflows of resources are recognized in the government-
wide statements and include:

Net pension liability	(2,076)	
Deferred outflows of resources from pensions	8,539	
Deferred inflows of resources from pensions	<u>(1,269)</u>	5,194

The City's total OPEB liability as well as OPEB-related deferred outflows of
resources are recognized in the government-wide statements and include:

Total OPEB liability	(2,772)	
Deferred outflows of resources from OPEB	179	
Deferred inflows of resources from OPEB	<u>(1,548)</u>	(4,141)

Long-term liabilities are not due and payable in the current period and therefore
are not reported as liabilities in the funds. The long-term liability at year-end
consisted of:

Certificates of obligation	(104,000)	
Accrued interest	(1,450)	
Compensated absences	<u>(7,955)</u>	<u>(113,405)</u>

Net position of governmental activities - statement of net position \$ 1,388,838

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund	Municipal Development District	Total Governmental Funds
Revenues:				
Property taxes	\$ 335,814	\$ 55,653	\$ -	\$ 391,467
Sales taxes	179,752	-	89,570	269,322
Franchise fees	56,134	-	-	56,134
Charges for services	15,146	-	-	15,146
Municipal court	8,102	-	-	8,102
Licenses & permits	26,030	-	-	26,030
Donation & grant revenues	13,009	-	-	13,009
Other revenues	30,444	-	-	30,444
Conduit loan fees	50,000	-	-	50,000
Interest income	10,147	371	-	10,518
Total revenues	<u>724,578</u>	<u>56,024</u>	<u>89,570</u>	<u>870,172</u>
Expenditures:				
General government	285,273	-	-	285,273
Public safety	129,931	-	-	129,931
Culture & recreation	7,914	-	-	7,914
Public works	182,083	-	-	182,083
Debt service-principle	-	18,000	-	18,000
Debt service-interest	-	5,832	-	5,832
Capital outlay	55,635	-	-	55,635
Total expenditures	<u>660,836</u>	<u>23,832</u>	<u>-</u>	<u>684,668</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>63,742</u>	<u>32,192</u>	<u>89,570</u>	<u>185,504</u>
Other financing sources (uses):				
Transfers	-	(21,958)	-	(21,958)
Total other financing sources (uses)	<u>-</u>	<u>(21,958)</u>	<u>-</u>	<u>(21,958)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,742</u>	<u>10,234</u>	<u>89,570</u>	<u>163,546</u>
Fund balance, beginning of the year	<u>594,095</u>	<u>23,490</u>	<u>250,495</u>	<u>868,080</u>
Fund balance, ending	<u>\$ 657,837</u>	<u>\$ 33,724</u>	<u>\$ 340,065</u>	<u>\$ 1,031,626</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 163,546

Amounts reported for governmental activities in the statement of activities (Exhibit A-2)
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 55,635	
Depreciation expense during the year	<u>(41,558)</u>	14,077

Because property tax receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues changed this year by: 12,175

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 18,000

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest	251	
Compensated absences	(4,279)	
Pension liability	599	
OPEB liability	<u>336</u>	<u>(3,093)</u>

Change in net position of governmental activities - statement of activities \$ 204,705

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Water & Sewer Fund
Assets	
Current assets:	
Cash & cash equivalents	\$ 362,851
Accounts receivable (net)	56,397
Prepaid expenses	1,398
Total current assets	<u>420,646</u>
Non-current assets:	
Restricted cash	77,217
Total non-current assets	<u>77,217</u>
Capital assets:	
Land	4,400
Buildings	41,912
Equipment	405,953
Distribution & collection system	5,550,162
	<u>6,034,527</u>
Less: accumulated depreciation	(3,019,187)
Net capital assets	<u>3,015,340</u>
Total assets	<u>\$ 3,513,203</u>
Deferred Outflows of Resources	
Pension related	\$ 4,066
OPEB related	85
Total deferred outflows of resources	<u>\$ 4,151</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 29,550
Accrued expenses	10,880
Accrued compensated absences	5,474
Customer deposit liability	77,217
Financed purchases-due in one year	5,736
2013 certificates of obligation-due in one year	29,000
Total current liabilities	<u>157,857</u>
Noncurrent liabilities:	
Net pension liability	989
OPEB liability	1,320
Financed purchases	6,018
2013 certificates of obligation	359,000
Total non-current liabilities	<u>367,327</u>
Total liabilities	<u>\$ 525,184</u>
Deferred Inflows of Resources	
Pension related	\$ 604
OPEB related	737
Total deferred inflows of resources	<u>\$ 1,341</u>
Net Position	
Net investment in capital assets, net of related debt	\$ 2,615,586
Unrestricted	375,243
Total net position	<u>\$ 2,990,829</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Water and Sewer Fund
Operating revenues:	
Water and sewer services	\$ 541,006
Tap fees	3,000
Late charges	20,223
Reconnect fees	3,997
Total operating revenues	<u>568,226</u>
Operating expenses:	
Personnel	164,386
Insurance	10,851
Contract service	108,792
Supplies and repairs	52,455
Vehicle expense	15,402
Utilities	59,490
Miscellaneous	7,768
Depreciation	218,794
Total operating expenses	<u>637,938</u>
Operating income (loss)	<u>(69,712)</u>
Non-operating revenues (expenses):	
Debt interest expense	(15,407)
Grant revenue	57,330
Transfers	21,958
Total non-operating revenues (expenses)	<u>63,881</u>
Change in net position	(5,831)
Net position, beginning of year	2,996,660
Net position, end of year	<u><u>\$ 2,990,829</u></u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Totals</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 551,730
Cash payments to employees for services	(173,163)
Cash payments to other suppliers for goods and services	(216,878)
Net cash provided by operating activities	<u>161,689</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	<u>21,958</u>
Net cash received by non-capital financing activities	<u>21,958</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid	(33,466)
Interest paid	(15,407)
Grants received for capital outlay	57,330
Acquisition or construction of capital assets	(85,141)
Net cash used by capital and related financing activities	<u>(76,684)</u>
Net increase in cash and cash equivalents	106,963
Cash and cash equivalents at beginning of year	333,105
Cash and cash equivalents at end of period	<u><u>\$ 440,068</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	<u>\$ (69,712)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	218,794
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	(18,212)
Prepays	(84)
Net pension asset	4,626
Deferred outflows of resources	(2,949)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable and other accrued liabilities	27,113
Deposit payable	1,716
Compensated absences	2,535
OPEB liability	(271)
Deferred intflows of resources	(1,867)
Total adjustments	<u>231,401</u>
Net cash provided by operating activities	<u><u>\$ 161,689</u></u>

The accompanying notes are an integral part of this statement.

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 6 related to conduit debt.

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 6 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.

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).

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 fund's 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 fund's 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 principal 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.

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.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 asset 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.

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, and (3) deferred outflows of resources related to differences between projected and actual pension plan investments.

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 6.02 years; the deferred outflows related to projected and actual earnings will be amortized to pension expense over a period of 5 years.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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). Deferred inflows reported in this year's financial statements include deferred inflows of resources related to differences in pension and OPEB assumption changes. The deferred inflows related to assumption changes will be amortized to pension expense over a period of 6.02 years.

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 by 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, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

13. 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:

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- d. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- e. 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, 2023, expenditures exceeded appropriations in the Public Works Department.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2. DEPOSITS

At September 30, 2023, the carrying amount of the City's cash accounts was \$1,512,468, made up of petty cash of \$600 and \$1,539,060 held in checking and savings accounts a local financial institution. The City did not own any investments at September 30, 2023.

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, 2023, the City's bank balances (per bank) totaled \$1,539,060. 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, 2023. Securities pledged by the City depository institution consist of the following:

SECURITY	PAR	FMV
FHLMC 4153 KG	\$1,073,855	\$ 942,866
Rapid City SD	\$ 970,000	\$ 821,871
Grandview TX ISD bond	\$ 265,000	\$ 246,988

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, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

	Beginning Balance	Purchases	Retirements & Transfers	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 71,549	\$ -	\$ -	\$ 71,549
Construction in Progress	-	19,750	-	19,750
Total capital assets not being depreciated	71,549	19,750	-	91,299
Capital assets being depreciated:				
Buildings and improvements	283,573	-	-	283,573
Equipment	187,131	35,885	-	223,016
Infrastructure	304,943	-	-	304,943
Total capital assets being depreciated	775,647	35,885	-	811,532
Less accumulated depreciation				
Buildings and improvements	191,318	15,408	-	206,727
Equipment	141,284	9,309	-	150,593
Infrastructure	100,210	16,840	-	117,050
Total accumulated depreciation	432,812	41,557	-	474,370
Total capital assets being depreciated, net	342,835	(5,672)	-	337,162
Total capital assets, net	\$ 414,384	\$ 14,078	\$ -	\$ 428,461
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,400	\$ -	\$ -	\$ 4,400
Construction in Progress	-	32,100	-	32,100
Total capital assets not being depreciated	4,400	32,100	-	36,500
Capital assets being depreciated:				
Buildings and improvements	41,912	-	-	41,912
Equipment	352,910	53,043	-	405,953
Waterworks and sanitary sewer system	5,550,162	-	-	5,550,162
Total capital assets being depreciated	5,944,984	53,043	-	5,998,027
Less accumulated depreciation				
Buildings and improvements	18,854	920	-	19,774
Equipment	247,989	27,146	-	275,135
Waterworks and sanitary sewer system	2,533,548	190,728	-	2,724,278
Total accumulated depreciation	2,800,391	218,794	-	3,019,187
Total capital assets being depreciated, net	3,144,593	(165,751)	-	2,978,840
Total capital assets, net	\$ 3,148,993	\$ (133,651)	\$ -	\$ 3,015,340

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Administration	\$ 8,309
Public safety	2,233
Library	8,979
Parks	3,543
Public works	18,493
Total depreciation expense	<u>\$ 41,557</u>

Depreciation expense was charged to Business-Type Activities as follows:

Water & Sewer	\$ 218,794
Total depreciation expense	<u>\$ 218,794</u>

NOTE 5: INTERFUND TRANSFERS

During the fiscal year, the Debt Service Fund transferred \$21,958 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 and the City does not handle any monetary transactions on behalf of either entity.

NOTE 7: LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended September 30, 2023.

	Beginning Balances	New Debt	Repayments	Ending Balance	Current Portion
Governmental activities:					
2008 Tax & revenue certificates of obligation	\$ 139,000	\$ -	\$ 35,000	\$ 104,000	\$ 19,000
Total governmental activities	<u>\$ 139,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 104,000</u>	<u>\$ 19,000</u>
Business-type activities:					
2013 Certificates of obligation	\$ 416,000	\$ -	\$ 57,000	\$ 359,000	\$ 29,000
Financed purchases	17,220	-	5,466	11,754	5,466
Total business-type activities	<u>\$ 433,220</u>	<u>\$ -</u>	<u>\$ 62,466</u>	<u>\$ 370,754</u>	<u>\$ 34,466</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Governmental activities:

Combination Tax and Revenue Certificates of Obligation, Series 2008 - The certificates are payable from an ad valorem tax to be levied by the City and bear interest at 4.5%. The certificates mature 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.

Annual debt service requirements for governmental activities are as follows:

Year	Principal	Interest	Total
2024	19,000	4,971	23,971
2025	20,000	4,063	24,063
2026	21,000	3,107	24,107
2027	21,000	2,103	23,103
2028-2032	23,000	1,099	24,099
Total	<u>\$ 104,000</u>	<u>\$ 15,343</u>	<u>\$ 119,343</u>

Business-type activities:

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.

Financed purchases – In October 2019, 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 \$6,315, including interest at 4.929%, beginning in October 2020. The agreement is secured by ad valorem taxes to be levied annually by the City.

Annual debt service requirements for business-type activities are as follows:

Certificates of obligation:

Year	Principal	Interest	Total
2024	29,000	14,828	43,828
2025	30,000	13,657	43,657
2026	31,000	12,446	43,446
2027	32,000	11,195	43,195
2028-2032	182,000	35,254	217,254
2033-2037	84,000	3,375	87,375
Total	<u>\$ 359,000</u>	<u>\$ 75,927</u>	<u>\$ 434,927</u>

Financed purchases:

Year	Principal	Interest	Total
2024	5,736	1,450	7,186
2025	6,018	433	6,451
Total	<u>\$ 11,754</u>	<u>\$ 1,883</u>	<u>\$ 13,637</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 8: RETIREMENT PLAN

A. Plan Description

The City of Newark, Texas participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The City has adopted the following plan provisions:

	Plan year 2022	Plan year 2023
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, 0/20	60/5, 0/20

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	6
Total	<u>13</u>

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the City matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Employees of the City of Newark, Texas were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 1.27% and 1.25% for the calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022, were \$3,123, and were equal to the required contributions.

D. Net Pension Liability or Assets

The City's Net Pension Asset (NPA) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% 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 were based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries were projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees were used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate was applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates were projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	45%	7.7%
Core Fixed Income	6%	4.9%
Non-Core Fixed Income	25%	8.7%
Other Public and Private Markets	12%	8.1%
Real Estate	12%	5.8%
Hedge Funds	5%	6.9%
Private Equity	10%	11.8%
Total	100%	

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 member 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, 2021	\$ 105,171	\$ 119,835	\$ (14,664)
Service Cost	16,155	-	16,155
Interest	7,538	-	7,538
Differences between expected and actual results	1,263	-	1,263
Change in assumptions	-	-	-
Contributions - employer	-	3,123	(3,123)
Contributions - employee	-	12,903	(12,903)
Net investment income	-	(8,814)	8,814
Benefit Payments, including refunds of employee contributions	(3,152)	(3,152)	-
Administrative expense	-	(76)	76
Other	-	91	(91)
Net Changes	21,804	4,075	17,729
Balance at December 31, 2022	\$ 126,975	\$ 123,910	\$ 3,065

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 Asset	<u>\$ 25,620</u>	<u>\$ 3,065</u>	<u>\$ (15,229)</u>

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$2,780. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2023, 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 projected and actual investment earnings	\$ 8,528	\$ -	\$ 8,528
Differences between expected and actual economic experience	-	(1,873)	(1,873)
Difference in assumption changes	607	-	607
To be recognized in the future	<u>9,135</u>	<u>(1,873)</u>	<u>\$ 7,262</u>
Contributions subsequent to the measurement date	<u>3,470</u>	<u>-</u>	
Total	<u>\$ 12,605</u>	<u>\$ (1,873)</u>	

The \$3,470 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Year Ending December 31,	
2023	(1,068)
2024	1,936
2025	2,501
2026	3,673
2027	217
Thereafter	3
	<u>\$ 7,262</u>

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 another 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, 2022, 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	-
Active employees	6
Total	<u>7</u>

B. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2022, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
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	2019 Municipal Retirees of Texas Mortality Tables, The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3,5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Changes in Total OPEB Liability:

Balance at December 31, 2021	\$ 6,416
Changes for the year	
Service Cost	465
Interest On Total OPEB Liability	122
Changes of benefit terms	-
Differences between expected and actual results	(312)
Changes in assumptions or other inputs	(2,573)
Benefit Payments *	(26)
Net Changes	(2,324)
Balance at December 31, 2022	<u>\$ 4,092</u>

*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 OBEP liability is allocated to the governmental activities and the business-type activities based on actual wages paid during the fiscal year.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	<u>\$ 5,107</u>	<u>\$ 4,092</u>	<u>\$ 3,299</u>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$375.

At September 30, 2023, 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 economic experience	\$ -	\$ (1,287)	\$ (1,287)
Difference in assumption changes	-	(998)	(998)
To be recognized in the future	-	(2,285)	<u>\$ (2,285)</u>
Contributions subsequent to the measurement date	<u>264</u>	<u>-</u>	
Total	<u>\$ 264</u>	<u>\$ (2,285)</u>	

The \$265 reported as 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, 2023.

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,	
2023	\$ (212)
2024	(212)
2025	(212)
2026	(212)
2027	(237)
Thereafter	<u>(1,200)</u>
	<u>\$ (2,285)</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023, through the date the financial statement was available to be issued. During this period there were no subsequent events requiring disclosure.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF NEWARK, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Tax revenues				
Property taxes	\$ 332,441	\$ 338,000	\$ 335,814	\$ (2,186)
Sales taxes	140,000	180,000	179,752	(248)
Franchise fees	40,000	57,000	56,134	(866)
Total tax revenues	512,441	575,000	571,700	(3,300)
Municipal court fines & fees	22,000	21,700	8,102	(13,598)
Charges for services				
Garbage collection, net of expense	27,810	15,146	15,146	-
Total charges for services	27,810	15,146	15,146	-
License & permits				
Building permits	15,000	27,000	25,967	(1,033)
Animal registration	-	-	63	63
Total licenses & permits	15,000	27,000	26,030	(970)
Donations & grants				
Covid-19 grant	152,636	65,909	13,009	(52,900)
Total donations & grants	152,636	65,909	13,009	(52,900)
Other revenues				
Cell tower rental	23,291	26,000	25,781	(219)
Conduit loan fees	24,000	50,000	50,000	-
Other income	-	14,550	1,645	(12,905)
Gas lease income	-	3,100	3,018	(82)
Total other revenues	47,291	93,650	80,444	(13,206)
Investment income	-	-	10,147	10,147
Total resources (inflows)	777,178	798,405	724,578	(73,827)
Charges to appropriations:				
Administration				
Salaries & wages	158,080	158,080	157,356	724
Payroll taxes	2,008	12,100	12,074	26
Retirement	17,864	2,600	2,526	74
Health insurance	16,546	16,546	16,044	502
Audit services	16,000	-	-	-
Legal services	40,000	30,000	20,932	9,068
Tax collection fees	7,500	7,500	6,872	628
Building inspection fees	9,000	19,300	21,250	(1,950)
Building maintenance	22,000	22,000	1,674	20,326
Codification services	4,000	4,000	2,818	1,182
IT/Software	8,339	8,339	8,328	11
Dues & subscriptions	1,200	1,200	1,201	(1)
Election	5,000	5,000	65	4,935

CITY OF NEWARK, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Insurance	7,700	8,825	8,824	1
Supplies, copier, postage & other	15,686	15,837	9,245	6,592
Public notices	2,000	2,000	1,083	917
Telephone & utilities	14,010	6,510	12,827	(6,317)
Travel & Training	4,500	3,400	394	3,006
Grant projects	152,636	173,908	1,760	172,148
Total administration	504,069	497,145	285,273	211,872
Public safety				
Animal control	1,000	1,000	425	575
Contract labor - police	65,000	41,388	41,388	-
Insurance	3,137	3,137	2,337	800
Judge & prosecutor	10,000	2,000	1,775	225
Salary & wages - municipal court	1,500	1,185	900	285
Retirement-municipal court	-	315	314	1
Supplies & software	12,000	10,294	8,936	1,358
Training	700	1,005	1,005	-
Code enforcement	40,440	57,435	57,851	(416)
Total public safety	133,777	117,759	114,931	2,828
Fire department				
Fire protection services	15,000	15,000	15,000	-
Total fire department	15,000	15,000	15,000	-
Library				
Maintenance & postage	1,000	4,500	4,281	219
Utilities	9,000	5,500	3,346	2,154
Total library	10,000	10,000	7,627	2,373
Parks				
Supplies & maintenance	5,000	5,000	(10)	5,010
Utilities	500	500	297	203
Total parks	5,500	5,500	287	5,213
Public works				
Salaries & wages	189,280	44,000	43,680	320
Payroll taxes	21,389	4,000	3,805	195
Retirement	2,405	2,405	1,115	1,290
Health insurance	16,174	4,843	4,922	(79)
Engineering	5,000	5,000	300	4,700
Insurance	20,010	20,010	14,320	5,690
Street lights	21,000	1,000	16,075	(15,075)
Street maintenance	11,000	10,000	57,447	(47,447)
Mowing	40,000	40,000	40,000	-
Equipment maintenance	2,200	2,200	419	1,781
Total public works	328,458	133,458	182,083	(48,625)
Total appropriations	986,804	778,862	605,201	173,661

CITY OF NEWARK, TEXAS**GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over (under) expenditures before other financing sources and capital outlay	<u>(209,626)</u>	<u>19,543</u>	<u>119,377</u>	<u>99,834</u>
Capital outlay				
Administration	-	(8,750)	(20,885)	(12,135)
Police	-	(15,000)	(15,000)	-
Public Works	-	(50,000)	(19,750)	30,250
Total capital outlay	<u>-</u>	<u>(73,750)</u>	<u>(55,635)</u>	<u>18,115</u>
Other financing sources				
Transfers	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ (209,626)</u>	<u>\$ (54,207)</u>	<u>63,742</u>	<u>\$ 117,949</u>
Fund balance, beginning			<u>594,095</u>	
Fund balance, ending			<u>\$ 657,837</u>	

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Budget and Budgetary Accounting

The City Council adopts an annual budget for the general fund. The general fund budget is legally adopted on a modified accrual basis.

The following procedures are followed in establishing the budgetary data reflected in the Basic Financial Statements:

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can only be amended by approval of a majority of the members of City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

Budget Amendments

The budget was amended once during the year ended September 30, 2023.

CITY OF NEWARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022**
EXHIBIT B-2

	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability								
Service cost	\$ 9,904	\$ 14,171	\$ 14,688	\$ 15,808	\$ 15,693	\$ 18,535	\$ 17,227	\$ 16,155
Interest (on the Total Pension Liability)	1,853	2,968	4,099	4,955	5,667	5,978	6,259	7,538
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	1,451	745	(6)	1,593	(4,784)	(9,302)	511	1,263
Change of assumptions	2,153	-	-	-	530	-	-	-
Benefit payments, including refunds of employee contributions	-	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)	(3,152)
Net Change in Total Pension Liability	15,361	17,884	16,012	11,809	4,160	314	18,112	21,804
Total Pension Liability - Beginning	21,519	36,880	54,764	70,776	82,585	86,745	87,059	105,171
Total Pension Liability - Ending (a)	\$ 36,880	\$ 54,764	\$ 70,776	\$ 82,585	\$ 86,745	\$ 87,059	\$ 105,171	\$ 126,975
Plan Fiduciary Net Position								
Contributions - Employer	\$ 5,177	\$ 6,975	\$ 6,846	\$ 6,034	\$ 7,356	\$ 8,149	\$ 6,192	\$ 3,123
Contributions - Employee	7,481	10,158	10,832	11,133	11,677	13,812	13,759	12,903
Net investment income	12	1,406	5,461	(1,795)	10,017	6,141	12,273	(8,814)
Benefit payments, including refunds of employee contributions	-	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)	(3,152)
Administrative expenses	(9)	(16)	(28)	(34)	(56)	(39)	(56)	(76)
Other	-	(1)	(2)	(4)	(1)	(1)	1	90
Net Change in Plan Fiduciary Net Position	12,661	18,522	20,340	4,787	16,047	13,165	26,284	4,075
Plan Fiduciary Net Position - Beginning	8,029	20,690	39,212	59,552	64,339	80,386	93,551	119,835
Plan Fiduciary Net Position - Ending (b)	\$ 20,690	\$ 39,212	\$ 59,552	\$ 64,339	\$ 80,386	\$ 93,551	\$ 119,835	\$ 123,910
Net Pension Asset - Ending (a) - (b)	\$ 16,190	\$ 15,552	\$ 11,224	\$ 18,246	\$ 6,359	\$ (6,492)	\$ (14,664)	\$ 3,065
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.10%	71.60%	84.14%	77.91%	92.67%	107.46%	113.94%	97.59%
Covered Employee Payroll	149,610	205,675	216,633	222,650	233,534	276,236	275,188	258,064
Net Pension Asset as a Percentage of Covered Employee Payroll	10.82%	7.56%	5.18%	8.19%	2.72%	-2.35%	-5.33%	1.19%

CITY OF NEWARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2023

EXHIBIT B-3

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 6,679	\$ 7,263	\$ 6,328	\$ 7,640	\$ 7,556	\$ 6,845	\$ 3,739	\$ 4,362
Contribution in relation to the actuarially determined contribution	<u>6,679</u>	<u>7,263</u>	<u>6,328</u>	<u>7,640</u>	<u>7,556</u>	<u>6,845</u>	<u>3,739</u>	<u>4,362</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 200,526	\$ 220,211	\$ 217,632	\$ 241,856	\$ 252,799	\$ 330,265	\$ 275,188	\$ 258,064
Contributions as a percentage of covered employee payroll	3.33%	3.30%	2.91%	3.16%	2.99%	2.07%	1.36%	1.69%

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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF NEWARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2022
EXHIBIT B-4

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	\$ 690	\$ 794	\$ 801	\$ 523	\$ 465
Interest	97	189	171	115	122
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,731	(1,089)	(2,142)	71	(312)
Changes of assumptions	(409)	1,227	872	271	(2,573)
Benefit payments	-	-	(28)	(55)	(26)
Net Change in Total OPEB Liability	2,109	1,121	(326)	925	(2,324)
Total OPEB Liability - Beginning	2,587	4,696	5,817	5,491	6,416
Total OPEB Liability - Ending (a)	\$ 4,696	\$ 5,817	\$ 5,491	\$ 6,416	\$ 4,092
Covered Employee Payroll	\$ 222,650	\$ 233,534	\$ 276,236	\$ 275,188	\$ 258,064
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.11%	2.49%	1.99%	2.33%	1.59%

NOTES TO SCHEDULE:
Changes of assumptions.

Changes of assumptions and other inputs reflect the change in the municipal bond rate index, which is used as a basis for the discount rate. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT C-1

	2023	2022	2021	2020	2019
Resources (inflows):					
Tax revenues					
Property taxes	391,467	\$ 384,153	\$ 374,100	\$ 368,851	\$ 340,905
Sales taxes	179,752	156,258	127,216	102,505	75,090
Municipal Development District sales taxes	89,570	75,172	60,006	48,263	35,173
Franchise fees	56,134	47,536	43,246	42,484	46,428
Total tax revenues	716,923	663,119	604,568	562,103	497,596
Municipal court fines & fees	8,102	5,931	18,031	13,214	11,039
Intergovernmental					
Library grants	-	-	36,789	50,544	39,103
Total intergovernmental	-	-	36,789	50,544	39,103
Charges for services					
Library fees	-	-	106	598	219
Garbage collection, net of expense	15,146	19,769	13,035	15,074	14,924
Total charges for services	15,146	19,769	13,141	15,672	15,143
License & permits					
Building permits	25,967	121,179	23,541	17,895	23,332
Animal registration	63	463	454	182	205
Total licenses & permits	26,030	121,642	23,995	18,077	23,537
Donations & grants					
Donations - fire department	-	-	3	321	60
Donations - library	-	-	-	-	-
Covid-19 grant	13,009	42,763	-	-	-
Total donations & grants	13,009	42,763	3	321	60
Other revenues					
Cell tower rental	25,781	23,578	22,212	22,096	20,552
Conduit loan fees	50,000	50,000	30,000	12,000	30,000
Other income	1,645	401	133	5,471	181
Gas lease income	3,018	4,499	1,835	1,189	2,084
Total other revenues	80,444	78,478	54,180	40,756	52,817
Investment income	10,518	825	85	1,423	1,898
Total resources	870,172	932,527	750,792	702,110	641,193
Charges to appropriations:					
Administration					
Salaries & wages	157,356	123,496	133,427	55,176	49,496
Payroll taxes	12,074	9,466	11,182	4,445	3,698
Retirement	2,526	4,261	2,904	1,686	1,451
Health insurance	16,044	11,415	15,088	12,890	13,253
Audit services	-	-	-	7,500	7,500
Legal services	20,932	40,778	41,419	21,409	41,142
Tax collection fees	6,872	6,838	6,272	6,265	5,302
Building inspection fees	21,250	112,832	10,710	8,742	4,565
Building maintenance	1,674	47,136	2,858	4,874	2,995
Codification services	2,818	1,742	395	2,333	2,200
Computer expense	8,328	6,140	6,989	7,930	8,499
Community center-enhancement project	-	-	-	-	-
Dues & subscriptions	1,201	1,007	957	907	905
Election	65	1,838	2,871	2,197	-
Insurance	8,824	5,750	4,946	5,088	5,101
Office supplies, copier, postage & other exp.	9,245	13,798	15,933	6,659	8,282

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT C-1

	2023	2022	2021	2020	2019
Public notices	1,083	689	1,762	1,575	1,145
Telephone & utilities	12,827	12,693	8,309	9,893	9,284
Travel & training	394	-	-	396	324
Debt service	23,832	23,655	23,409	23,130	23,832
Grant projects	1,760	3,281	-	-	-
Total administration	<u>309,105</u>	<u>426,815</u>	<u>289,431</u>	<u>183,095</u>	<u>188,974</u>
Public safety					
Animal control	425	460	500	991	3,147
Police-contract labor	41,388	48,248	36,129	43,231	35,495
Insurance	2,337	1,951	2,129	2,350	2,479
Judge & prosecutor	1,775	1,292	5,428	13,450	11,051
Salary & wages-municipal court	900	1,350	1,500	21,850	21,818
Payroll taxes-municipal court	-	-	-	1,658	1,565
Retirement-municipal court	314	-	-	647	645
Health insurance-municipal court	-	-	438	5,761	5,597
Supplies & software	8,936	11,841	7,797	9,451	8,078
Training	1,005	681	110	90	40
Code enforcement	57,851	29,094	18,154	12,591	27,372
Total public safety	<u>114,931</u>	<u>94,917</u>	<u>72,185</u>	<u>112,070</u>	<u>117,287</u>
Fire department					
Fire protection services	15,000	10,000	10,000	8,000	8,000
Total fire department	<u>15,000</u>	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>	<u>8,000</u>
Parks					
Supplies & maintenance	(10)	500	27	3,470	392
Utilities	297	193	(40)	308	18,320
Total parks	<u>287</u>	<u>693</u>	<u>(13)</u>	<u>3,778</u>	<u>18,712</u>
Public works					
Salaries & wages & contract labor	43,680	31,598	31,436	31,281	28,897
Payroll taxes	3,805	4,586	2,447	2,486	2,255
Retirement	1,115	1,553	799	711	663
Health insurance	4,922	3,909	6,029	8,429	7,427
Engineering	300	-	-	4,452	950
Insurance	14,320	11,346	11,247	3,845	3,910
Street lights	16,075	16,627	14,162	13,572	10,602
Street maintenance	57,447	4,918	7,393	5,416	3,446
Mowing	40,000	38,000	36,150	36,150	36,415
Equipment maintenance	419	2,159	2,181	2,329	2,665
Total public works	<u>182,083</u>	<u>114,696</u>	<u>111,844</u>	<u>108,671</u>	<u>97,230</u>
Library					
Salaries & wages	-	-	11,467	34,308	29,558
Payroll taxes	-	-	980	2,845	2,255
Retirement	-	-	313	969	986
Health insurance	-	-	2,558	10,643	1,566
Books and supplies	-	-	6,201	2,692	3,810
Supplies	-	-	1,501	2,750	5,009
Building maintenance	4,281	-	632	1,329	300
Events	-	-	433	1,462	4,015
Telephone & utilities	3,346	-	4,414	5,094	3,639
Security	-	-	366	406	371
Total library	<u>7,627</u>	<u>-</u>	<u>28,865</u>	<u>62,498</u>	<u>51,509</u>
Total appropriations	<u>629,033</u>	<u>647,121</u>	<u>512,312</u>	<u>478,112</u>	<u>481,712</u>

CITY OF NEWARK, TEXAS**EXHIBIT C-1**
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Excess of revenues over (under) expenditures before transfers and capital outlay	<u>241,139</u>	<u>285,406</u>	<u>238,480</u>	<u>223,998</u>	<u>159,481</u>
Capital outlay					
Administration	(20,885)	(39,180)	-	(1,200)	-
Library	-	-	-	(1,200)	-
Parks	-	-	-	(5,625)	(29,802)
Police	(15,000)	-	-	(1,792)	-
Public works	<u>(19,750)</u>	<u>-</u>	<u>(40,822)</u>	<u>(46,800)</u>	<u>(47,642)</u>
Total capital outlay	<u>(55,635)</u>	<u>(39,180)</u>	<u>(40,822)</u>	<u>(56,617)</u>	<u>(77,444)</u>
Other sources (uses)					
Gain on sale of assets	-	-	8,000	-	-
Transfer out	<u>(21,958)</u>	<u>(121,902)</u>	<u>(21,497)</u>	<u>(116,195)</u>	<u>(21,457)</u>
Total other sources (uses)	<u>(21,958)</u>	<u>(121,902)</u>	<u>(13,497)</u>	<u>(116,195)</u>	<u>(21,457)</u>
Excess of revenues over (under) expenditures	<u>163,546</u>	<u>\$ 124,324</u>	<u>\$ 184,161</u>	<u>\$ 51,186</u>	<u>\$ 60,580</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT C-2

	2023	2022	2021	2020	2019
Revenues:					
Charges for services					
Water & sewer	\$ 541,006	\$ 493,221	\$ 461,161	\$ 424,603	\$ 334,829
Garbage	-	-	-	-	-
Tap fees	3,000	-	-	-	2,700
Late charges	20,223	16,600	7,411	5,869	10,979
Reconnect fees	3,997	4,940	4,787	2,917	4,372
Total operating revenues	568,226	514,761	473,359	433,389	352,880
Operating expenses:					
Personnel					
Salary & wages	151,592	127,049	116,306	135,117	127,445
Health insurance	10,851	10,200	12,506	24,603	27,319
Retirement	1,421	370	(322)	3,042	4,096
Payroll taxes	11,373	9,705	9,971	10,603	9,483
Total personnel	175,237	147,324	138,461	173,365	168,343
Professional fees					
Engineering	600	1,680	503	-	950
Master plan	-	-	-	-	30,000
Total professional fees	600	1,680	503	-	30,950
Supplies & contract services					
Electricity	57,219	52,527	36,599	33,908	33,861
Garbage collection	-	-	-	-	-
Insurance	-	-	-	9,000	7,820
IT software & support	6,834	5,320	5,628	8,236	15,164
Lab fees	26,747	23,927	21,387	18,946	20,691
Miscellaneous	7,768	-	-	-	-
Office supplies	491	428	535	564	505
Other expenses	503	623	1,881	1,882	1,911
Permits & inspections	3,492	9,844	8,636	3,359	3,309
Postage	2,078	2,349	1,849	2,666	3,163
Supplies	7,078	7,299	5,799	7,051	5,317
Telephone	2,270	2,777	2,330	2,786	3,062
Training	1,616	1,375	1,295	1,046	-
Vehicle expenses	15,402	13,084	12,428	5,808	10,247
Total supplies & contract services	131,498	119,553	98,367	95,252	105,050
Repairs & maintenance					
Lift station expense	6,101	12,689	4,021	20,278	-
Supplies & equipment	34,911	6,113	4,007	2,946	4,559
Sewer system	30,073	24,556	22,384	28,084	19,186
Water system	40,724	41,555	66,970	32,233	25,518
Total repairs & maintenance	111,809	84,913	97,382	83,541	49,263
Total operating expenses before depreciation	419,144	353,470	334,713	352,158	353,606
Operating income (loss) before depreciation	149,082	161,291	138,646	81,231	(726)
Depreciation	218,794	194,067	177,270	170,663	164,016
Operating income (loss)	(69,712)	(32,776)	(38,624)	(89,432)	(164,742)
Non-operating revenues & (expenses):					
Investment income	-	-	-	-	-
Interest expense	(15,407)	(16,518)	(18,723)	(19,997)	(19,748)
Total non-operating revenues & (expenses)	(15,407)	(16,518)	(18,723)	(19,997)	(19,748)

CITY OF NEWARK, TEXAS**EXHIBIT C-2****COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income (loss) before capital contributions & transfers	<u>(85,119)</u>	<u>(49,294)</u>	<u>(57,347)</u>	<u>(109,429)</u>	<u>(184,490)</u>
Capital contributions and transfers					
Capital grants	57,330	284,615	288,210	281,975	30,375
Transfers from general fund for capital improvement	-	100,406	-	95,000	-
Transfers from debt service fund	21,958	21,496	21,497	21,195	21,457
Total capital contributions and transfers	<u>79,288</u>	<u>406,517</u>	<u>309,707</u>	<u>398,170</u>	<u>51,832</u>
Change in net position	<u>\$ (5,831)</u>	<u>\$ 357,223</u>	<u>\$ 252,360</u>	<u>\$ 288,741</u>	<u>\$ (132,658)</u>

Internal Control and Compliance



Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the City Council
City of Newark, Texas

We 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Newark, Texas' basic financial statements, and have issued our report thereon dated May 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newark, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newark, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newark, Texas' internal control.

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 and correct, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newark, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

May 15, 2025

**CITY OF NEWARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

_____ Yes X No

Significant deficiency identified that is not
considered to be material weaknesses?

_____ Yes X No

Noncompliance material to financial
statements noted?

_____ Yes X No

B. Financial Statement Finding:

None