

CITY OF NEWARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024



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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, 2024, 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, 2024, 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 August 21, 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,

A handwritten signature in black ink that reads "MWH Group, P.C." in a cursive, slightly stylized font.

MWH GROUP, P.C.

Wichita Falls, Texas
August 21, 2025

CITY OF NEWARK, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2024

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, 2024. 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, 2024, government-wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,663,337 (net position), an increase of \$283,670 over the prior period.
- Of the total government-wide net position, \$1,150,822 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Funds ending fund balance is \$1,003,036. The unassigned General Fund balance is \$687,773 or 92% 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	
	2024	2023	2024	2023	2024	2023
Current & other assets	\$1,192,317	\$1,178,128	\$ 2,911,724	\$ 497,863	\$ 4,104,041	\$ 1,675,991
Capital assets, net	621,109	428,461	3,072,795	3,015,340	3,693,904	3,443,801
Total assets	<u>1,813,426</u>	<u>1,606,589</u>	<u>5,984,519</u>	<u>3,513,203</u>	<u>7,797,945</u>	<u>5,119,792</u>
Total deferred outflow of resources	<u>11,337</u>	<u>8,718</u>	<u>6,687</u>	<u>4,151</u>	<u>18,024</u>	<u>12,869</u>
Current liabilities	113,061	133,804	2,580,085	157,857	2,693,146	291,661
Long-term liabilities	65,000	85,000	364,254	365,018	429,254	450,018
Net pension & OPEB liabilities	15,935	4,848	9,399	2,309	25,334	7,157
Total liabilities	<u>193,996</u>	<u>223,652</u>	<u>2,953,738</u>	<u>525,184</u>	<u>3,147,734</u>	<u>748,836</u>
Total deferred inflow of resources	<u>3,081</u>	<u>2,817</u>	<u>1,817</u>	<u>1,341</u>	<u>4,898</u>	<u>4,158</u>
Net position:						
Net investment in capital assets	536,109	324,461	2,664,985	2,615,586	3,201,094	2,940,047
Restricted	311,421	373,789	-	-	311,421	373,789
Unrestricted	780,156	690,588	370,666	375,243	1,150,822	1,065,831
Total net position	<u>\$1,627,686</u>	<u>\$1,388,838</u>	<u>\$ 3,035,651</u>	<u>\$ 2,990,829</u>	<u>\$ 4,663,337</u>	<u>\$ 4,379,667</u>

At September 30, 2024, the City had total assets of \$7,797,945 which included capital assets of \$3,693,904. These capital assets represent 47% 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 increased \$2,398,898 or 320% due to the increase in unearned revenues resulting from funding received for Rolling V development and the NISD water tank projects in the amounts of \$1,525,903 and \$891,000, respectively.

The City's net position (assets plus deferred outflows less liabilities and deferred inflows) increased \$283,670 a 6% increase in net position during the fiscal year. Restricted net position is \$311,421 and represents net resources subject to external restrictions on how the funds may be used. Unrestricted net position totals \$1,150,822 or 25% 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	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Fees, fines, & charges for services	\$ 141,309	\$ 129,722	\$ 637,515	\$ 568,226	\$ 778,824	\$ 697,948
Operating grants & contributions	180,722	17,384	-	-	180,722	17,384
Capital grants & contributions	-	-	28,729	57,330	28,729	57,330
General revenues:						
Property taxes	407,872	399,266	-	-	407,872	399,266
Sales taxes	263,062	269,322	-	-	263,062	269,322
Franchise fees	53,331	56,134	-	-	53,331	56,134
Gain on sale of assets	-	-	-	-	-	-
Investment earnings	28,898	10,518	-	-	28,898	10,518
Total revenues	<u>1,075,194</u>	<u>882,346</u>	<u>666,244</u>	<u>625,556</u>	<u>1,741,438</u>	<u>1,507,902</u>
Expenses						
General government	454,950	297,263	-	-	454,950	297,263
Public safety	173,790	132,090	-	-	173,790	132,090
Culture & recreation	19,229	20,436	-	-	19,229	20,436
Public works	161,779	200,313	-	-	161,779	200,313
Interest on long-term debt	4,640	5,581	15,407	15,407	20,047	20,988
Water & sewer	-	-	627,973	637,938	627,973	637,938
Total expenses	<u>814,388</u>	<u>655,683</u>	<u>643,380</u>	<u>653,345</u>	<u>1,457,768</u>	<u>1,309,028</u>
Transfers	<u>(21,958)</u>	<u>(21,958)</u>	<u>21,958</u>	<u>21,958</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 238,848</u>	<u>\$ 204,705</u>	<u>\$ 44,822</u>	<u>\$ (5,831)</u>	<u>\$ 283,670</u>	<u>\$ 198,874</u>

Fiscal year 2024 governmental activities revenues (before transfers) increased \$192,848 or 22% over 2023 governmental activities revenues. Operating Grants increased \$163,338 or 940%. The City benefitted from significant grants and stipends from Texas Parks and Wildlife, Wise County and ARPA in the amounts of \$71,077, \$57,981 and \$49,964, respectively. Other sources of revenue included property taxes of \$407,872, sales taxes of \$263,062, and fees & fines of \$141,309. Interest earned on the City's investments of \$28,898 represented an increase of \$18,380 or 175% in 2024 due to higher interest rates.

The City continues to closely monitor its governmental operating expenses during the fiscal year. Total governmental operating expenses increased \$158,705 or 24% from 2023 to 2024. General government expenses increased \$157,687 or 53%. Expenses were higher in the following categories: Admin payroll of \$180,677 (increased \$23,322) consulting and audit fees of \$69,800 (increased \$69,800 as no fees were paid in the prior year) and the City's portion of the park improvement expenses of \$49,964 (increased \$36,954). Public Safety operating expenses increased \$41,700 or 32%, mainly driven by health insurance increase of \$9,243 and fire department expenses of \$5,000. Public Works expenses decreased by \$38,534 or 19%, due to lower street maintenance expenses of \$19,093 or 40%.

Fiscal year 2024 business-type activities revenues increased \$40,688 or 7% from 2023 to 2024 driven by higher charges for services of \$69,289 or 12%. Reduced grant funding offset the gains made by the service charges by \$28,601 or 50% compared to prior year. Business-type activities expenses were comparable to 2023, with a slight decrease or \$9,965 or 2%.

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 \$1,003,036, which is a decrease of \$28,590 or 3% from the prior year. The components of the governmental fund balances are as follows:

	As of September 30, 2024	2023
Non-spendable prepaid expenses	\$ 3,842	\$ 2,343
Restricted		
Debt service	34,992	33,724
Municipal Development	276,429	340,065
Total restricted	311,421	373,789
Unassigned	687,773	655,494
Total fund balance	\$ 1,003,036	\$ 1,031,626

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 \$370,666, which represents a decrease to the net position of the fund of \$4,577 or 1.2% 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 \$180,072 and decreasing expenditures in the amount of \$84,023. The amended budget resulted in a budget deficit of \$97,693. Actual revenues were unfavorable to budgeted revenues by \$85,788 and actual expenditures were favorable to budgeted expenditures by \$67,260.

A General Fund budget - actual summary for 2024 is as follows:

	Amended Budget	Actual	Variance
Revenues			
Taxes	\$ 586,885	\$ 586,885	\$ -
Municipal court fines & fees	4,597	6,497	1,900
Licenses & permits	43,895	43,895	-
Charges for services	15,146	2,480	(12,666)
Grants & donations	217,430	114,020	(103,410)
Other revenues	90,336	90,336	-
Investment income	-	28,388	28,388
Total revenues	\$ 958,289	\$ 872,501	\$ (85,788)

General Fund budget – actual summary continued:

	Amended Budget	Actual	Variance
Expenditures			
Administration	\$ 468,292	\$ 434,666	\$ 33,626
Public safety	146,664	146,664	-
Fire department	20,000	20,000	-
Culture & recreation	30,671	5,768	24,903
Public works	164,903	139,409	25,494
Capital outlay	225,452	242,215	(16,763)
Total expenditures	<u>1,055,982</u>	<u>988,722</u>	<u>67,260</u>
Excess of revenues over (under) expenditures	<u>\$ (97,693)</u>	<u>\$ (116,221)</u>	<u>\$ (18,528)</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, 2024, of \$20,323 which is 4.97% of the City's annual covered payroll of \$409,237. The City's net pension liability increased \$23,388 from September 30, 2023 to September 30, 2024.

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, 2024, was \$5,011, an increase of \$919 from September 30, 2023.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2024, amounts to \$3,693,904 (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 2024 include Construction in process for the park of \$180,848, bathroom improvements at the park of \$15,330, asphalt for streets of \$29,948 and a dump trailer of \$10,915. The City's capital assets, net of accumulated depreciation, are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 71,549	\$ 71,549	\$ 4,400	\$ 4,400	\$ 75,949	\$ 75,949
Construction in process	200,598	19,750	271,299	32,100	471,897	51,850
Buildings & improvements	61,439	76,847	21,218	22,138	82,657	98,985
Equipment	54,689	51,912	140,722	130,819	195,411	182,731
Parks	32,041	20,510	-	-	32,041	20,510
Streets & drainage	200,793	187,893	-	-	200,793	187,893
Waterworks & sewer system	-	-	2,635,156	2,825,883	2,635,156	2,825,883
Totals	<u>\$ 621,109</u>	<u>\$ 428,461</u>	<u>\$ 3,072,795</u>	<u>\$ 3,015,340</u>	<u>\$ 3,693,904</u>	<u>\$ 3,443,801</u>

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

DEBT ADMINISTRATION

In October 2023, the City entered into a \$42,792 note payable to Government Capital Corporation for the purchase of a vehicle. The note carries an interest rate of 6.35% and is payable in 5 annual payments of \$10,256. The note matures in 2028. Outstanding long-term debts are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Financed purchase	\$ -	\$ -	\$ 48,810	\$ 11,754	\$ 48,810	\$ 11,754
Certificates of obligation	85,000	104,000	359,000	388,000	444,000	492,000
Total long-term debt	<u>\$ 85,000</u>	<u>\$104,000</u>	<u>\$ 407,810</u>	<u>\$ 399,754</u>	<u>\$ 492,810</u>	<u>\$ 503,754</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 2025 are \$1,003,429, a \$180,580 decrease from final 2024 budgeted revenues. The tax rate applied in the 2025 budget is \$0.400620 cents per \$100 of valuation, an increase of \$0.017399 cents per \$100 valuation from the 2024 tax rate.

Budgeted General Fund expenditures for fiscal year 2025 are \$904,113. Of this amount, wages for administration, code enforcement, police contract services, library, and public works represent \$143,768, \$68,640, \$75,000, \$24,000 and \$71,843, respectively. The net budget has a surplus of \$99,316 in the General Fund for fiscal year 2025.

Water and Sewer Fund 2025 budgeted revenues are \$2,796,035, an increase of \$2,158,521 over the fiscal year 2024 actual operating revenues as the City received \$2,500,000 in funding from Northwest ISD for tank funding and the Rolling V developer. Budgeted Water and Sewer Fund expenditures total \$2,895,351. Of this amount, expected costs include \$1,557,600 for the Rolling V development project, \$700,435 for capital improvements, \$223,766 for utility wages, \$100,000 for water and sewer system expenses, \$60,000 for electric. The net budget reflects a deficit of \$99,316 in the Water Sewer Fund for fiscal year 2025.

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, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & equivalents	\$ 721,561	\$ 270,215	\$ 991,776
Accounts receivable (net of allowances)	169,399	57,298	226,697
Prepaid expenses	3,842	1,794	5,636
Restricted cash & equivalents	297,515	2,582,417	2,879,932
Capital assets:			
Land	71,549	4,400	75,949
Buildings & improvements	283,573	41,912	325,485
Equipment	254,435	448,745	703,180
Infrastructure	334,891	5,550,162	5,885,053
Construction in progress	200,598	271,299	471,897
Less - accumulated depreciation	(523,937)	(3,243,723)	(3,767,660)
Total assets	<u>1,813,426</u>	<u>5,984,519</u>	<u>7,797,945</u>
Deferred Outflows of Resources			
Pension related	11,143	6,573	17,716
OPEB related	194	114	308
Total deferred outflows of resources	<u>11,337</u>	<u>6,687</u>	<u>18,024</u>
Liabilities			
Accounts payable	73,852	17,715	91,567
Accrued liabilities	3,121	2,833	5,954
Accrued compensated absences	10,998	7,354	18,352
Accrued interest	1,185	9,307	10,492
Customer deposits	-	82,417	82,417
Unearned revenues	3,905	2,416,903	2,420,808
Net pension liability	12,783	7,540	20,323
OPEB liability	3,152	1,859	5,011
Long-term debt-due within one year	20,000	43,556	63,556
Long-term debt-due in more than one year	65,000	364,254	429,254
Total liabilities	<u>193,996</u>	<u>2,953,738</u>	<u>3,147,734</u>
Deferred Inflows of Resources			
Pension related	2,062	1,216	3,278
OPEB related	1,019	601	1,620
Total deferred inflows of resources	<u>3,081</u>	<u>1,817</u>	<u>4,898</u>
Net Position			
Net investment in capital assets, net of related debt	536,109	2,664,985	3,201,094
Restricted for:			
Debt service	34,992	-	34,992
Special revenues	276,429	-	276,429
Unrestricted	780,156	370,666	1,150,822
Total net position	<u>\$ 1,627,686</u>	<u>\$ 3,035,651</u>	<u>\$ 4,663,337</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	\$ (454,950)	\$ 136,711	\$ 107,945	\$ -	\$ (210,294)	\$ -	\$ (210,294)
Public safety	(173,790)	4,598	1,700	-	(167,492)	-	(167,492)
Culture & recreation	(19,229)	-	71,077	-	51,848	-	51,848
Public works	(161,779)	-	-	-	(161,779)	-	(161,779)
Interest on long-term debt	(4,640)	-	-	-	(4,640)	-	(4,640)
Total governmental activities	(814,388)	141,309	180,722	-	(492,357)	-	(492,357)
Business-type activities:							
Water & sewer	(643,380)	637,515	-	28,729	-	22,864	22,864
Total business-type activities	(643,380)	637,515	-	28,729	-	22,864	22,864
Total primary government	<u>\$ (1,457,768)</u>	<u>\$ 778,824</u>	<u>\$ 180,722</u>	<u>\$ 28,729</u>	<u>(492,357)</u>	<u>22,864</u>	<u>(469,493)</u>
General revenues:							
Property taxes					407,872	-	407,872
Sales taxes					263,062	-	263,062
Franchise fees					53,331	-	53,331
Gain on sale of assets					-	-	-
Interest income					28,898	-	28,898
Transfers					(21,958)	21,958	-
Total general revenues and transfers					<u>731,205</u>	<u>21,958</u>	<u>753,163</u>
Change in net position					<u>238,848</u>	<u>44,822</u>	<u>283,670</u>
Net position, beginning					<u>1,388,838</u>	<u>2,990,829</u>	<u>4,379,667</u>
Net position, ending					<u>\$ 1,627,686</u>	<u>\$ 3,035,651</u>	<u>\$ 4,663,337</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS**BALANCE SHEET - GOVERNMENTAL FUNDS**
SEPTEMBER 30, 2024

	General Fund	Debt Service Fund	Municipal Development Fund	Total Governmental Funds
Assets:				
Cash & cash equivalents	\$ 721,560	\$ 34,992	\$ 262,524	\$ 1,019,076
Receivables:				
Property taxes	36,408	4,717	-	41,125
Sales taxes	28,016	-	13,905	41,921
Franchise fees	1,491	-	-	1,491
Garbage	9,410	-	-	9,410
Grants	75,452	-	-	75,452
Prepaid expenses	3,842	-	-	3,842
Total assets	\$ 876,179	\$ 39,709	\$ 276,429	\$ 1,192,317
Liabilities:				
Accounts payable	\$ 73,852	\$ -	\$ -	\$ 73,852
Accrued liabilities	3,121	-	-	3,121
Unearned revenue-grants	3,905	-	-	3,905
Total liabilities	80,878	-	-	80,878
Deferred inflows of resources:				
Unavailable revenue-property taxes	36,408	4,717	-	41,125
Unavailable revenue-grants	71,077	-	-	71,077
	107,485	4,717	-	112,202
Fund balances:				
Non-spendable prepaid expenses	\$ 3,842	\$ -	\$ -	\$ 3,842
Restricted:				-
Debt service	-	34,992	-	34,992
Municipal Development	-	-	276,429	276,429
Unassigned	683,974	-	-	683,974
Total fund balances	687,816	34,992	276,429	999,237
Total liabilities and fund balances	\$ 876,179	\$ 39,709	\$ 276,429	\$ 1,192,317

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, 2024**

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 999,237

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	\$1,145,046	
Less accumulated depreciation	<u>(523,937)</u>	621,109

Property taxes, municipal court, and grant receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		112,202
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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	(12,783)	
Deferred outflows of resources from pensions	11,143	
Deferred inflows of resources from pensions	<u>(2,062)</u>	(3,702)

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	(3,152)	
Deferred outflows of resources from OPEB	194	
Deferred inflows of resources from OPEB	<u>(1,019)</u>	(3,977)

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	(85,000)	
Accrued interest	(1,185)	
Compensated absences	<u>(10,998)</u>	(97,183)

Net position of governmental activities - statement of net position		<u><u>\$ 1,627,686</u></u>
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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, 2024**

	General Fund	Debt Service Fund	Municipal Development District	Total Governmental Funds
Revenues:				
Property taxes	\$ 356,856	\$ 46,620	\$ -	\$ 403,476
Sales taxes	176,698	-	86,364	263,062
Franchise fees	53,331	-	-	53,331
Intergovernmental	112,320	-	-	112,320
Charges for services	2,480	-	-	2,480
Municipal court	2,697	-	-	2,697
Licenses & permits	43,895	-	-	43,895
Donation & grant revenues	1,700	-	-	1,700
Other revenues	27,836	-	-	27,836
Conduit loan fees	62,500	-	-	62,500
Interest income	28,388	511	-	28,899
Total revenues	<u>868,701</u>	<u>47,131</u>	<u>86,364</u>	<u>1,002,196</u>
Expenditures:				
General government	434,666	-	-	434,666
Public safety	166,664	-	-	166,664
Culture & recreation	5,768	-	-	5,768
Public works	139,409	-	-	139,409
Debt service-principal	-	18,000	-	18,000
Debt service-interest	-	5,905	-	5,905
Capital outlay	242,215	-	-	242,215
Total expenditures	<u>988,722</u>	<u>23,905</u>	<u>-</u>	<u>1,012,627</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(120,021)</u>	<u>23,226</u>	<u>86,364</u>	<u>(10,431)</u>
Other financing sources (uses):				
Transfers	150,000	(21,958)	(150,000)	(21,958)
Total other financing sources (uses)	<u>150,000</u>	<u>(21,958)</u>	<u>(150,000)</u>	<u>(21,958)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,979</u>	<u>1,268</u>	<u>(63,636)</u>	<u>(32,389)</u>
Fund balance, beginning of the year	<u>657,837</u>	<u>33,724</u>	<u>340,065</u>	<u>1,031,626</u>
Fund balance, ending	<u>\$ 687,816</u>	<u>\$ 34,992</u>	<u>\$ 276,429</u>	<u>\$ 999,237</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, 2024**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ (32,389)

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	\$ 242,215	
Depreciation expense during the year	<u>(49,567)</u>	192,648

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: 71,099

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. 19,000

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	265	
Compensated absences	(3,043)	
Pension liability	(8,896)	
OPEB liability	<u>164</u>	<u>(11,510)</u>

Change in net position of governmental activities - statement of activities \$ 238,848

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Water & Sewer Fund
Assets	
Current assets:	
Cash & cash equivalents	\$ 270,215
Accounts receivable (net)	57,298
Prepaid expenses	1,794
Total current assets	<u>329,307</u>
Non-current assets:	
Restricted cash	2,582,417
Total non-current assets	<u>2,582,417</u>
Capital assets:	
Land	4,400
Construction in progress	271,299
Buildings	41,912
Equipment	448,745
Distribution & collection system	5,550,162
	<u>6,316,518</u>
Less: accumulated depreciation	(3,243,723)
Net capital assets	<u>3,072,795</u>
Total assets	<u>\$ 5,984,519</u>
Deferred Outflows of Resources	
Pension related	\$ 6,573
OPEB related	114
Total deferred outflows of resources	<u>\$ 6,687</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 17,715
Accrued expenses	2,833
Accrued compensated absences	7,354
Accrued interest	9,307
Customer deposit liability	82,417
Unearned revenue	2,416,903
Financed purchases-due in one year	5,736
2013 certificates of obligation-due in one year	37,820
Total current liabilities	<u>2,580,085</u>
Noncurrent liabilities:	
Net pension liability	7,540
OPEB liability	1,859
Financed purchases	6,018
2013 certificates of obligation	358,236
Total non-current liabilities	<u>373,653</u>
Total liabilities	<u>\$ 2,953,738</u>
Deferred Inflows of Resources	
Pension related	\$ 1,216
OPEB related	601
Total deferred inflows of resources	<u>\$ 1,817</u>
Net Position	
Net investment in capital assets, net of related debt	\$ 2,664,985
Unrestricted	370,666
Total net position	<u>\$ 3,035,651</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, 2024**

	Water and Sewer Fund
Operating revenues:	
Water and sewer services	\$ 581,260
Tap fees	31,000
Late charges	20,554
Reconnect fees	4,701
Total operating revenues	<u>637,515</u>
Operating expenses:	
Personnel	196,115
Insurance	17,488
Contract service	54,903
Supplies and repairs	50,229
Vehicle expense	21,596
Utilities	64,191
Miscellaneous	-
Depreciation	224,536
Total operating expenses	<u>629,058</u>
Operating income (loss)	<u>8,457</u>
Non-operating revenues (expenses):	
Debt interest expense	(14,322)
Grant revenue	28,729
Transfers	21,958
Total non-operating revenues (expenses)	<u>36,365</u>
Change in net position	44,822
Net position, beginning of year	2,990,829
Net position, end of year	<u><u>\$ 3,035,651</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, 2024

Cash Flows from Operating Activities:

Cash received from customers	\$ 641,814
Cash payments to employees for services	(206,693)
Cash payments to other suppliers for goods and services	(203,611)
Net cash provided by operating activities	<u>231,510</u>

Cash Flows from Non-Capital Financing Activities:

Transfers from other funds	21,958
Net cash received by non-capital financing activities	<u>21,958</u>

Cash Flows from Capital and Related Financing Activities:

Principal paid	(34,736)
Interest paid	(12,601)
Proceeds from debt issuance	42,792
Grants received for capital outlay	28,729
Developer deposits	2,416,903
Acquisition or construction of capital assets	(281,991)
Net cash used by capital and related financing activities	<u>2,159,096</u>

Cash Flows from Investing Activities:

Interest on investments	-
Net cash provided by investing activities	<u>-</u>

Net increase in cash and cash equivalents	2,412,564
Cash and cash equivalents at beginning of year	440,068
Cash and cash equivalents at end of period	<u>\$ 2,852,632</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income (loss)	\$ 8,457
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	224,536
Bad debt expense	-
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	(901)
Prepays	(396)
Net pension asset	6,551
Deferred outflows of resources	(2,536)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable and other accrued liabilities	(12,296)
Deposit payable	5,200
Compensated absences	1,880
OPEB liability	539
Deferred intflows of resources	476
Total adjustments	<u>223,053</u>
Net cash provided by operating activities	<u>\$ 231,510</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 (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 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, 2024

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 the 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, 2024

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, 2024

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, 2024

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, 2024, no department expenditures exceeded appropriations.

NOTE 2. DEPOSITS

At September 30, 2024, the carrying amount of the City's cash accounts was \$3,871,107, made up of petty cash of \$600 and \$689,833 held in checking accounts at a local financial institution. The City did not own any investments at September 30, 2024.

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, 2024, the City's bank balances (per bank) totaled \$3,887,615. 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, 2024. Securities pledged by the City depository institution consist of the following:

SECURITY	PAR	FMV
SBA 510112V	\$ 544,807	\$ 548,473
GNMA 17 56 AV	\$ 1,288,415	\$ 1,257,364
FHLMC 4153 KG	\$ 982,253	\$ 901,001
Farmers Branch	\$ 240,000	\$ 238,255
Rapid City SD	\$ 970,000	\$ 892,468
Grandview TX ISD bond	\$ 265,000	\$ 263,002

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, 2024

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024, 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	19,750.00	180,848	-	200,598
Total capital assets not being depreciated	91,299	180,848	-	272,147
Capital assets being depreciated:				
Buildings and improvements	283,573	-	-	283,573
Equipment	223,016	31,419	-	254,435
Infrastructure	304,943	29,948	-	334,891
Total capital assets being depreciated	811,532	61,367	-	872,899
Less accumulated depreciation				
Buildings and improvements	206,726	15,408	-	222,134
Equipment	150,594	17,111	-	167,705
Infrastructure	117,050	17,048	-	134,098
Total accumulated depreciation	474,370	49,567	-	523,937
Total capital assets being depreciated, net	337,162	11,800	-	348,962
Total capital assets, net	\$ 428,461	\$ 192,648	\$ -	\$ 621,109
	Beginning Balance	Purchases	Retirements & Transfers	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,400	\$ -	\$ -	\$ 4,400
Construction in Progress	32,100	239,199	-	271,299
Total capital assets not being depreciated	36,500	239,199	-	275,699
Capital assets being depreciated:				
Buildings and improvements	41,912	-	-	41,912
Equipment	405,953	42,792	-	448,745
Waterworks and sanitary sewer system	5,550,162	-	-	5,550,162
Total capital assets being depreciated	5,998,027	42,792	-	6,040,819
Less accumulated depreciation				
Buildings and improvements	19,774	920	-	20,694
Equipment	275,135	32,888	-	308,023
Waterworks and sanitary sewer system	2,724,276	190,728	-	2,915,006
Total accumulated depreciation	3,019,185	224,536	-	3,243,723
Total capital assets being depreciated, net	2,978,842	(181,744)	-	2,797,096
Total capital assets, net	\$ 3,015,342	\$ 57,455	\$ -	\$ 3,072,795

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Administration	\$ 11,886
Public safety	3,358
Library	9,662
Parks	3,799
Public works	20,862
Total depreciation expense	<u>\$ 49,567</u>

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

Water & Sewer	\$ 224,536
Total depreciation expense	<u>\$ 224,536</u>

NOTE 5: INTERFUND TRANSFERS

During the fiscal year, the Debt Service Fund transferred \$45,863 to the Water and Sewer Fund to pay for one-half of the annual bond principal and interest payments related to the Series 2008 and 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; 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, 2024.

	Beginning Balances	New Debt	Repayments	Ending Balance	Current Portion
Governmental activities:					
2008 Tax & revenue certificates of obligation	\$ 104,000	\$ -	\$ 19,000	\$ 85,000	\$ 20,000
Total governmental activities	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ 85,000</u>	<u>\$ 20,000</u>
Business-type activities:					
2013 Certificates of obligation	\$ 388,000	\$ -	\$ 29,000	\$ 359,000	\$ 30,000
Financed purchases	11,754	42,792	5,736	48,810	13,556
Total business-type activities	<u>\$ 399,754</u>	<u>\$ 42,792</u>	<u>\$ 34,736</u>	<u>\$ 407,810</u>	<u>\$ 43,556</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Governmental activities:

Certificates of Obligation:

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
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>\$ 85,000</u>	<u>\$ 10,372</u>	<u>\$ 95,372</u>

Business-type activities:

Certificates of Obligation:

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.

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

Year	Principal	Interest	Total
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:

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 October 2020, and terminating in October 2024. Additionally, in October 2023, the City entered into a public property finance contract with Government Capital for the purchase of a vehicle. The agreement calls for five annual installments of \$10,256, including interest at 6.35%, commencing October 2024, and terminating in October 2029. Both agreements are secured by ad valorem taxes to be levied annually by the City.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Year	Principal	Interest	Total
2025	13,556	3,150	16,706
2026	8,017	2,239	10,256
2027	8,526	1,730	10,256
2028	9,067	1,188	10,255
2029	9,644	612	10,256
Total	<u>\$ 48,810</u>	<u>\$ 8,919</u>	<u>\$ 57,729</u>

NOTE 8: RETIREMENT PLAN

A. Plan Description

The City of Newark, Texas participates as one of 936 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act (Title 8, Subtitle G, Texas Government Code) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmr.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. Benefit provisions 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, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payments 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 plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan year 2023	Plan year 2024
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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

At the December 31, 2023 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	5
Active employees	7
Total	<u>13</u>

C. Contributions

Member contribution rates for employees in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 overtime.

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 1.25% and 1.18% for the calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024, were \$16,351, 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, 2023, 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, 2023, 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 are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 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.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	20%	8.0%
Other Public and Private Markets	12%	8.0%
Real Estate	12%	7.6%
Hedge Funds	5%	6.4%
Private Equity	10%	11.6%
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.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	\$ 126,975	\$ 123,910	\$ 3,065
Service Cost	37,281	-	37,281
Interest	10,658	-	10,658
Change in benefit terms including substantively automatic status	13,604	-	13,604
Differences between expected and actual results	(4,444)	-	(4,444)
Change in assumptions	(162)	-	(162)
Contributions - employer	-	4,829	(4,829)
Contributions - employee	-	20,462	(20,462)
Net investment income	-	14,480	(14,480)
Benefit Payments, including refunds of employee contributions	(2,645)	(2,645)	-
Administrative expense	-	(91)	91
Other	-	(1)	1
Net Changes	54,292	37,034	17,258
Balance at December 31, 2023	\$ 181,267	\$ 160,944	\$ 20,323

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.

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	\$ 49,307	\$ 20,323	\$ 4,175

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, 2024, the City recognized pension expense of \$29,694. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between projected and actual investment earnings	\$ 2,724	\$ -	\$ 2,724
Differences between expected and actual economic experience	-	(3,240)	(3,240)
Difference in assumption changes	-	(38)	(38)
To be recognized in the future	<u>2,724</u>	<u>(3,278)</u>	<u>\$ (554)</u>
Contributions subsequent to the measurement date	<u>14,992</u>	<u>-</u>	
Total	<u>\$ 17,716</u>	<u>\$ (3,278)</u>	

Deferred outflows of resources of \$14,992 related to pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2024	\$ (320)
2025	454
2026	1,626
2027	(1,826)
2028	(488)
Thereafter	-
	<u>\$ (554)</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 (SDBF). 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 SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SDBF 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 SDBF 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.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

At the December 31, 2023, 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	7
Total	<u>8</u>

B. Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2023, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Changes in Total OPEB Liability:

Balance at December 31, 2022	\$ 4,092
Changes for the year	
Service Cost	327
Interest On Total OPEB Liability	171
Changes of benefit terms	-
Differences between expected and actual results	167
Changes in assumptions or other inputs	336
Benefit Payments *	(82)
Net Changes	919
Balance at December 31, 2023	<u>\$ 5,011</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 OPEB liability is allocated to the governmental activities and the business-type activities based on actual wages paid during the fiscal year.

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	<u>\$ 6,220</u>	<u>\$ 5,011</u>	<u>\$ 4,072</u>

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$336.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

At September 30, 2024, 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	\$ -	\$ (899)	\$ (899)
Difference in assumption changes	-	(721)	(721)
To be recognized in the future	-	(1,620)	<u>\$ (1,620)</u>
Contributions subsequent to the measurement date	<u>308</u>	<u>-</u>	
Total	<u>\$ 308</u>	<u>\$ (1,620)</u>	

Deferred outflows of resources of \$308 related to OPEB contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024.

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,	
2024	\$ (162)
2025	(162)
2026	(162)
2027	(187)
2028	(184)
Thereafter	<u>(763)</u>
	<u>\$ (1,620)</u>

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

NOTE 11: SUBSEQUENT EVENTS:

The City has evaluated all events and transactions that occurred after September 30, 2024, through the date the financial statement was available to be issued. In October 2024, the City entered into a \$38,235 note payable agreement with Government Capital Corporation for the purchase of a vehicle. The note carries an interest rate of 5.98% and is payable in five (5) annual installments of \$9,231.

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, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Tax revenues				
Property taxes	\$ 349,854	\$ 356,856	\$ 356,856	\$ -
Sales taxes	165,000	176,698	176,698	-
Franchise fees	43,000	53,331	53,331	-
Total tax revenues	557,854	586,885	586,885	-
Municipal court fines & fees	22,000	4,597	2,697	(1,900)
Intergovernmental				
Covid-19 grant	82,297	82,297	49,964	(32,333)
Park grants	-	75,452	4,375	(71,077)
Library grants	-	57,981	57,981	-
Total intergovernmental	82,297	215,730	112,320	(103,410)
Charges for services				
Library fees	-	-	-	-
Garbage collection, net of expense	27,810	15,146	2,480	(12,666)
Total charges for services	27,810	15,146	2,480	(12,666)
License & permits				
Building permits	25,000	43,457	43,457	-
Animal registration	-	438	438	-
Total licenses & permits	25,000	43,895	43,895	-
Donations & grants				
Donations - library	-	1,700	1,700	-
Total donations & grants	-	1,700	1,700	-
Other revenues				
Cell tower rental	25,756	26,010	26,010	-
Conduit loan fees	37,500	62,500	62,500	-
Other income	-	1,118	1,118	-
Gas lease income	-	708	708	-
Total other revenues	63,256	90,336	90,336	-
Investment income	-	-	28,388	28,388
Total resources (inflows)	778,217	958,289	868,701	(89,588)
Charges to appropriations:				
Administration				
Salaries & wages	176,800	180,677	180,677	-
Payroll taxes	20,332	14,215	14,215	-
Retirement	8,168	6,762	6,762	-
Health insurance	27,078	26,404	26,404	-
Audit services	20,000	69,800	69,800	-
Legal services	25,000	12,741	12,741	-

CITY OF NEWARK, TEXAS**GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Tax collection fees	8,000	7,196	7,196	-
Building inspection fees	18,000	13,607	13,607	-
Building maintenance	5,000	3,743	3,743	-
Codification services	5,000	3,065	3,065	-
IT/Software	12,000	9,740	9,740	-
Dues & subscriptions	1,200	1,069	1,069	-
Election	4,000	-	-	-
Insurance	9,800	10,850	10,850	-
Supplies, copier, postage & other	17,062	10,537	10,537	-
Public notices	2,000	1,466	1,466	-
Telephone & utilities	14,010	12,954	12,954	-
Travel & Training	10,000	1,169	1,169	-
Grant projects	82,297	82,297	48,671	33,626
Total administration	<u>465,747</u>	<u>468,292</u>	<u>434,666</u>	<u>33,626</u>
Public safety				
Animal control	1,000	485	485	-
Contract labor - police	40,000	45,322	45,322	-
Insurance	3,450	2,928	2,928	-
Judge & prosecutor	4,000	4,399	4,399	-
Salary & wages - municipal court	1,500	1,500	1,500	-
Health insurance	9,510	9,243	9,243	-
Retirement	2,883	2,360	2,360	-
Supplies & software	13,000	10,066	10,066	-
Training	700	180	180	-
Code enforcement	66,400	70,181	70,181	-
Total public safety	<u>142,443</u>	<u>146,664</u>	<u>146,664</u>	<u>-</u>
Fire department				
Fire protection services	20,000	20,000	20,000	-
Total fire department	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Library				
Salaries & wages	11,700	11,700	3,259	8,441
Health insurance	-	311	311	-
Materials & supplies	3,250	1,736	1,736	-
Building maintenance	1,000	147	147	-
Telephone & utilities	5,000	4,146	4,146	-
Events	3,000	1,308	1,308	-
Total library	<u>23,950</u>	<u>19,348</u>	<u>10,907</u>	<u>8,441</u>
Parks				
Supplies & maintenance	2,000	1,122	(15,340)	16,462
Telephone & utilities	500	148	148	-
Events	10,000	10,053	10,053	-
Total parks	<u>12,500</u>	<u>11,323</u>	<u>(5,139)</u>	<u>16,462</u>

CITY OF NEWARK, TEXAS**GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public works				
Salaries & wages	212,296	50,600	50,600	-
Payroll taxes	24,414	4,030	4,030	-
Retirement	9,808	1,906	1,906	-
Health insurance	26,994	8,655	8,655	-
Engineering	5,000	4,000	4,000	-
Insurance	22,011	22,011	14,586	7,425
Street lights	21,000	21,000	15,139	5,861
Street maintenance	11,000	9,208	(3,000)	12,208
Mowing	40,000	40,000	40,000	-
Equipment maintenance	2,200	3,493	3,493	-
Total public works	<u>374,723</u>	<u>164,903</u>	<u>139,409</u>	<u>25,494</u>
Total appropriations	<u>1,039,363</u>	<u>830,530</u>	<u>746,507</u>	<u>84,023</u>
Excess of revenues over (under) expenditures before other financing sources and capital outlay	<u>(261,146)</u>	<u>127,759</u>	<u>122,193</u>	<u>(5,565)</u>
Capital outlay				
Administration	-	-	(1,293)	(1,293)
Police	-	-	-	-
Library	-	-	(2,587)	(2,587)
Parks	-	(225,452)	(196,178)	29,274
Public Works	-	-	(42,157)	(42,157)
Total capital outlay	<u>-</u>	<u>(225,452)</u>	<u>(242,215)</u>	<u>(16,763)</u>
Other financing sources				
Transfers	-	-	150,000	150,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Excess of revenues over (under) expenditures	<u>\$ (261,146)</u>	<u>\$ (97,693)</u>	<u>29,978</u>	
Fund balance, beginning			<u>657,837</u>	
Fund balance, ending			<u>\$ 687,815</u>	

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024.

CITY OF NEWARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2023
EXHIBIT B-2

	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability								
Service cost	\$ 14,171	\$ 14,688	\$ 15,808	\$ 15,693	\$ 18,535	\$ 17,227	\$ 16,155	\$ 37,281
Interest (on the Total Pension Liability)	2,968	4,099	4,955	5,667	5,978	6,259	7,538	10,658
Changes of benefit terms	-	-	-	-	-	-	-	13,604
Difference between expected and actual experience	745	(6)	1,593	(4,784)	(9,302)	511	1,263	(4,444)
Change of assumptions	-	-	-	530	-	-	-	(162)
Benefit payments, including refunds of employee contributions	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)	(3,152)	(2,645)
Net Change in Total Pension Liability	17,884	16,012	11,809	4,160	314	18,112	21,804	54,292
Total Pension Liability - Beginning	36,880	54,764	70,776	82,585	86,745	87,059	105,171	126,975
Total Pension Liability - Ending (a)	\$ 54,764	\$ 70,776	\$ 82,585	\$ 86,745	\$ 87,059	\$ 105,171	\$ 126,975	\$ 181,267
Plan Fiduciary Net Position								
Contributions - Employer	\$ 6,975	\$ 6,846	\$ 6,034	\$ 7,356	\$ 8,149	\$ 6,192	\$ 3,123	\$ 4,829
Contributions - Employee	10,158	10,832	11,133	11,677	13,812	13,759	12,903	20,462
Net investment income	1,406	5,461	(1,795)	10,017	6,141	12,273	(8,814)	14,480
Benefit payments, including refunds of employee contributions	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)	(3,152)	(2,645)
Administrative expenses	(16)	(28)	(34)	(56)	(39)	(56)	(76)	(91)
Other	(1)	(2)	(4)	(1)	(1)	1	90	(2)
Net Change in Plan Fiduciary Net Position	18,522	20,340	4,787	16,047	13,165	26,284	4,075	37,034
Plan Fiduciary Net Position - Beginning	20,690	39,212	59,552	64,339	80,386	93,551	119,835	123,910
Plan Fiduciary Net Position - Ending (b)	\$ 39,212	\$ 59,552	\$ 64,339	\$ 80,386	\$ 93,551	\$ 119,835	\$ 123,910	\$ 160,944
Net Pension Asset - Ending (a) - (b)	\$ 15,552	\$ 11,224	\$ 18,246	\$ 6,359	\$ (6,492)	\$ (14,664)	\$ 3,065	\$ 20,323
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.60%	84.14%	77.91%	92.67%	107.46%	113.94%	97.59%	88.79%
Covered Employee Payroll	205,675	216,633	222,650	233,534	276,236	275,188	258,064	409,237
Net Pension Asset as a Percentage of Covered Employee Payroll	7.56%	5.18%	8.19%	2.72%	-2.35%	-5.33%	1.19%	4.97%

CITY OF NEWARK, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2024

EXHIBIT B-3

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Actuarially determined contribution	\$ 7,263	\$ 6,328	\$ 7,640	\$ 7,556	\$ 6,845	\$ 3,739	\$ 4,362	\$ 16,351
Contribution in relation to the actuarially determined contribution	<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>	<u>16,351</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 220,211	\$ 217,632	\$ 241,856	\$ 252,799	\$ 330,265	\$ 275,188	\$ 258,064	\$ 409,237
Contributions as a percentage of covered employee payroll	3.30%	2.91%	3.16%	2.99%	2.07%	1.36%	1.69%	4.00%

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	12 Years (lonest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate
Mortality	

Other Information:

Notes Increased city matching ratio from 1 - 1 to 2 - 1.

CITY OF NEWARK, TEXAS

EXHIBIT B-4

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2023

	2020	2021	2022	2023	2024
Total OPEB Liability					
Service cost	\$ 801	\$ 523	\$ 465	\$ 465	\$ 327
Interest	171	115	122	122	171
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,142)	71	(312)	(312)	167
Changes of assumptions	872	271	(2,573)	(2,573)	336
Benefit payments	(28)	(55)	(26)	(26)	(82)
Net Change in Total OPEB Liability	(326)	925	(2,324)	(2,324)	919
Total OPEB Liability - Beginning	5,817	5,491	6,416	6,416	4,092
Total OPEB Liability - Ending (a)	<u>\$ 5,491</u>	<u>\$ 6,416</u>	<u>\$ 4,092</u>	<u>\$ 4,092</u>	<u>\$ 5,011</u>
Covered Employee Payroll	\$ 276,236	\$ 275,188	\$ 258,064	\$ 258,064	\$ 409,237
Total OPEB Liability as a Percentage of Covered Employee Payroll	1.99%	2.33%	1.59%	1.59%	1.22%

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, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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, 2024

EXHIBIT C-1

	2024	2023	2022	2021	2020
Resources (inflows):					
Tax revenues					
Property taxes	403,476	391,467	384,153	374,100	368,851
Sales taxes	176,698	179,752	156,258	127,216	102,505
Municipal Development District sales taxes	86,364	89,570	75,172	60,006	48,263
Franchise fees	53,331	56,134	47,536	43,246	42,484
Total tax revenues	719,869	716,923	663,119	604,568	562,103
Municipal court fines & fees	2,697	8,102	5,931	18,031	13,214
Intergovernmental					
Covid-19 grant	49,964	13,009	42,763	-	-
Park grants	4,375	-	-	-	-
Library grants	57,981	-	-	36,789	50,544
Total intergovernmental	112,320	13,009	42,763	36,789	50,544
Charges for services					
Library fees	-	-	-	106	598
Garbage collection, net of expense	2,480	15,146	19,769	13,035	15,074
Total charges for services	2,480	15,146	19,769	13,141	15,672
License & permits					
Building permits	43,457	25,967	121,179	23,541	17,895
Animal registration	438	63	463	454	182
Total licenses & permits	43,895	26,030	121,642	23,995	18,077
Donations & grants					
Donations - fire department	-	-	-	3	321
Donations - library	1,700	-	-	-	-
Total donations & grants	1,700	-	-	3	321
Other revenues					
Cell tower rental	26,010	25,781	23,578	22,212	22,096
Conduit loan fees	62,500	50,000	50,000	30,000	12,000
Other income	1,118	1,645	401	133	5,471
Gas lease income	708	3,018	4,499	1,835	1,189
Total other revenues	90,336	80,444	78,478	54,180	40,756
Investment income	28,899	10,518	825	85	1,423
Total resources	1,002,196	870,172	932,527	750,792	702,110
Charges to appropriations:					
Administration					
Salaries & wages	180,677	157,356	123,496	133,427	55,176
Payroll taxes	14,215	12,074	9,466	11,182	4,445
Retirement	6,762	2,526	4,261	2,904	1,686
Health insurance	26,404	16,044	11,415	15,088	12,890
Audit services	69,800	-	-	-	7,500
Legal services	12,741	20,932	40,778	41,419	21,409
Tax collection fees	7,196	6,872	6,838	6,272	6,265
Building inspection fees	13,607	21,250	112,832	10,710	8,742
Building maintenance	3,743	1,674	47,136	2,858	4,874
Codification services	3,065	2,818	1,742	395	2,333
Computer expense	9,740	8,328	6,140	6,989	7,930
Community center-enhancement project	-	-	-	-	-
Dues & subscriptions	1,069	1,201	1,007	957	907
Election	-	65	1,838	2,871	2,197
Insurance	10,850	8,824	5,750	4,946	5,088

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

EXHIBIT C-1

	2024	2023	2022	2021	2020
Office supplies, copier, postage & other exp.	10,537	9,245	13,798	15,933	6,659
Public notices	1,466	1,083	689	1,762	1,575
Telephone & utilities	12,954	12,827	12,693	8,309	9,893
Travel & training	1,169	394	-	-	396
Debt service	23,905	23,832	23,655	23,409	23,130
Grant projects	48,671	1,760	3,281	-	-
Total administration	<u>458,571</u>	<u>309,105</u>	<u>426,815</u>	<u>289,431</u>	<u>183,095</u>
Public safety					
Animal control	485	425	460	500	991
Police-contract labor	45,322	41,388	48,248	36,129	43,231
Insurance	2,928	2,337	1,951	2,129	2,350
Judge & prosecutor	4,399	1,775	1,292	5,428	13,450
Salary & wages-municipal court	1,500	900	1,350	1,500	21,850
Payroll taxes-municipal court	-	-	-	-	1,658
Retirement-municipal court	2,360	314	-	-	647
Health insurance-municipal court	9,243	-	-	438	5,761
Supplies & software	10,066	8,936	11,841	7,797	9,451
Training	180	1,005	681	110	90
Code enforcement	70,181	57,851	29,094	18,154	12,591
Total public safety	<u>146,664</u>	<u>114,931</u>	<u>94,917</u>	<u>72,185</u>	<u>112,070</u>
Fire department					
Fire protection services	20,000	15,000	10,000	10,000	8,000
Total fire department	<u>20,000</u>	<u>15,000</u>	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>
Parks					
Supplies & maintenance	(15,340)	(10)	500	27	3,470
Utilities	148	297	193	(40)	308
Events	10,053				
Total parks	<u>(5,139)</u>	<u>287</u>	<u>693</u>	<u>(13)</u>	<u>3,778</u>
Public works					
Salaries & wages & contract labor	50,600	43,680	31,598	31,436	31,281
Payroll taxes	4,030	3,805	4,586	2,447	2,486
Retirement	1,906	1,115	1,553	799	711
Health insurance	8,655	4,922	3,909	6,029	8,429
Engineering	4,000	300	-	-	4,452
Insurance	14,586	14,320	11,346	11,247	3,845
Street lights	15,139	16,075	16,627	14,162	13,572
Street maintenance	(3,000)	57,447	4,918	7,393	5,416
Mowing	40,000	40,000	38,000	36,150	36,150
Equipment maintenance	3,493	419	2,159	2,181	2,329
Total public works	<u>139,409</u>	<u>182,083</u>	<u>114,696</u>	<u>111,844</u>	<u>108,671</u>
Library					
Salaries & wages	3,259	-	-	11,467	34,308
Payroll taxes	-	-	-	980	2,845
Retirement	-	-	-	313	969
Health insurance	311	-	-	2,558	10,643
Books and supplies	1,736	-	-	6,201	2,692
Building maintenance	147	4,281	-	632	1,329
Events	1,308	-	-	433	1,462
Telephone & utilities	4,146	3,346	-	4,414	5,094
Security	-	-	-	366	406
Total library	<u>10,907</u>	<u>7,627</u>	<u>-</u>	<u>27,364</u>	<u>59,748</u>
Total appropriations	<u>770,412</u>	<u>629,033</u>	<u>647,121</u>	<u>510,811</u>	<u>478,112</u>

CITY OF NEWARK, TEXAS**EXHIBIT C-1**
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Excess of revenues over (under) expenditures before transfers and capital outlay	<u>231,784</u>	<u>241,139</u>	<u>285,406</u>	<u>239,981</u>	<u>223,998</u>
Capital outlay					
Administration	(1,293)	(20,885)	(39,180)	-	(1,200)
Library	(2,587)	-	-	-	(1,200)
Parks	(196,178)	-	-	-	(5,625)
Police	-	(15,000)	-	-	(1,792)
Public works	<u>(42,157)</u>	<u>(19,750)</u>	<u>-</u>	<u>(40,822)</u>	<u>(46,800)</u>
Total capital outlay	<u>(242,215)</u>	<u>(55,635)</u>	<u>(39,180)</u>	<u>(40,822)</u>	<u>(56,617)</u>
Other sources (uses)					
Gain on sale of assets	-	-	-	8,000	-
Transfer out	<u>(21,958)</u>	<u>(21,958)</u>	<u>(121,902)</u>	<u>(21,497)</u>	<u>(116,195)</u>
Total other sources (uses)	<u>(21,958)</u>	<u>(21,958)</u>	<u>(121,902)</u>	<u>(13,497)</u>	<u>(116,195)</u>
Excess of revenues over (under) expenditures	<u>\$ (32,389)</u>	<u>\$ 163,546</u>	<u>\$ 124,324</u>	<u>\$ 185,662</u>	<u>\$ 51,186</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

EXHIBIT C-2

	2024	2023	2022	2021	2020
Revenues:					
Charges for services					
Water & sewer	\$ 581,260	\$ 541,006	\$ 493,221	\$ 461,161	\$ 424,603
Garbage	-	-	-	-	-
Tap fees	31,000	3,000	-	-	-
Late charges	20,554	20,223	16,600	7,411	5,869
Reconnect fees	4,701	3,997	4,940	4,787	2,917
Total operating revenues	<u>637,515</u>	<u>568,226</u>	<u>514,761</u>	<u>473,359</u>	<u>433,389</u>
Operating expenses:					
Personnel					
Salary & wages	171,232	151,592	127,049	116,306	135,117
Health insurance	17,488	10,851	10,200	12,506	24,603
Retirement	11,535	1,421	370	(322)	3,042
Payroll taxes	13,348	11,373	9,705	9,971	10,603
Total personnel	<u>213,603</u>	<u>175,237</u>	<u>147,324</u>	<u>138,461</u>	<u>173,365</u>
Professional fees					
Engineering	1,950	600	1,680	503	-
Total professional fees	<u>1,950</u>	<u>600</u>	<u>1,680</u>	<u>503</u>	<u>-</u>
Supplies & contract services					
Electricity	61,826	57,219	52,527	36,599	33,908
Insurance	-	-	-	-	9,000
IT software & support	7,402	6,834	5,320	5,628	8,236
Lab fees	19,136	26,747	23,927	21,387	18,946
Miscellaneous	-	7,768	-	-	-
Office supplies	42	491	428	535	564
Other expenses	488	503	623	1,881	1,882
Permits & inspections	2,950	3,492	9,844	8,636	3,359
Postage	2,065	2,078	2,349	1,849	2,666
Supplies	8,015	7,078	7,299	5,799	7,051
Telephone	2,365	2,270	2,777	2,330	2,786
Training	2,940	1,616	1,375	1,295	1,046
Vehicle expenses	21,596	15,402	13,084	12,428	5,808
Total supplies & contract services	<u>128,825</u>	<u>131,498</u>	<u>119,553</u>	<u>98,367</u>	<u>95,252</u>
Repairs & maintenance					
Lift station expense	-	6,101	12,689	4,021	20,278
Supplies & equipment	6,007	34,911	6,113	4,007	2,946
Sewer system	35,413	30,073	24,556	22,384	28,084
Water system	18,724	40,724	41,555	66,970	32,233
Total repairs & maintenance	<u>60,144</u>	<u>111,809</u>	<u>84,913</u>	<u>97,382</u>	<u>83,541</u>
Total operating expenses before depreciation	<u>404,522</u>	<u>419,144</u>	<u>353,470</u>	<u>334,713</u>	<u>352,158</u>
Operating income (loss) before depreciation	<u>232,993</u>	<u>149,082</u>	<u>161,291</u>	<u>138,646</u>	<u>81,231</u>
Depreciation	<u>224,536</u>	<u>218,794</u>	<u>194,067</u>	<u>177,270</u>	<u>170,663</u>
Operating income (loss)	<u>8,457</u>	<u>(69,712)</u>	<u>(32,776)</u>	<u>(38,624)</u>	<u>(89,432)</u>
Non-operating revenues & (expenses):					
Investment income	-	-	-	-	-
Interest expense	(14,322)	(15,407)	(16,518)	(18,723)	(19,997)
Total non-operating revenues & (expenses)	<u>(14,322)</u>	<u>(15,407)</u>	<u>(16,518)</u>	<u>(18,723)</u>	<u>(19,997)</u>

CITY OF NEWARK, TEXAS**EXHIBIT C-2**

*COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Income (loss) before capital contributions & transfers	<u>(5,865)</u>	<u>(85,119)</u>	<u>(49,294)</u>	<u>(57,347)</u>	<u>(109,429)</u>
Capital contributions and transfers					
Capital grants	28,729	57,330	284,615	288,210	281,975
Transfers from general fund for capital improvemen	-	-	100,406	-	95,000
Transfers from debt service fund	21,958	21,958	21,496	21,497	21,195
Total capital contributions and transfers	<u>50,687</u>	<u>79,288</u>	<u>406,517</u>	<u>309,707</u>	<u>398,170</u>
Change in net position	<u>\$ 44,822</u>	<u>\$ (5,831)</u>	<u>\$ 357,223</u>	<u>\$ 252,360</u>	<u>\$ 288,741</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, 2024, 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 August 21, 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.

August 21, 2025

**CITY OF NEWARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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