

CITY OF NEWARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021



**CITY OF NEWARK, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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Financial Section



Independent Auditor's Report on Financial Statements

City Council
City of Newark, Texas
209 Hudson St.
Newark, Texas 76071

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 4 through 11 and 39 through 45, be presented to supplement the basic financial statements. Such information, 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.

Other 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 is not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Newark, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
May 16, 2024

CITY OF NEWARK, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2021

MAYOR

Mark Wondolowski

MAYOR PRO TEM

Chris Raines

COUNCIL MEMBERS

Jennifer Hill

Richard Sidebottom

Taylor Burton

Laura Taylor

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, 2021. The information provided here should be used in conjunction with the basic financial statements.

This discussion and analysis is 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, 2021, Government-wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$3,672,820 (net position), an increase of \$456,874 over the prior period.
- Of the total Government-wide Net Position, \$700,060 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total Governmental Fund ending fund balance was \$743,756. The unassigned General Fund balance is \$540,238 or 111% 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 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 12) presents information on all of 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 13) 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 type activities and Business type.

- Governmental type 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 14 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 you 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 21 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	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 939,376	\$ 610,689	\$ 334,362	\$ 188,827	\$ 1,273,738	\$ 799,516
Net pension asset	3,652	-	2,840	-	6,492	-
Capital assets, net	413,240	408,285	2,961,454	2,829,058	3,374,694	3,237,343
Total assets	1,356,268	1,018,974	3,298,656	3,017,885	4,654,924	4,036,859
Total deferred outflow of resources	4,321	2,638	3,359	2,642	7,680	5,280
Current liabilities	195,293	49,162	221,650	161,425	416,943	210,587
Long-term liabilities	122,000	139,000	433,220	464,430	555,220	603,430
Net pension & OPEB liabilities	3,089	4,581	2,402	7,595	5,491	12,176
Total liabilities	320,382	192,743	657,272	633,450	977,654	826,193
Total deferred inflow of resources	6,824	-	5,306	-	12,130	-
Net position:						
Net investment in capital assets	274,240	253,285	2,497,024	2,334,704	2,771,264	2,587,989
Restricted	201,496	140,950	-	-	201,496	140,950
Unrestricted	557,647	434,634	142,413	52,373	700,060	487,007
Total net position	\$1,033,383	\$ 828,869	\$ 2,639,437	\$ 2,387,077	\$ 3,672,820	\$ 3,215,946

At September 30, 2021, the City had total assets of \$4,654,924 which included capital assets of \$3,374,694. These capital assets represent 72% 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 \$151,461 or 18% due to the receipt of American Rescue Plan Act grant funds that were not spent and recorded in unearned revenue in 2021.

The City's net position (assets plus deferred outflows less liabilities and deferred inflows) increased \$456,874 a 20% increase in net position during the fiscal year. Restricted net position is \$201,496 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$700,060 or 19% 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Fees, fines, & charges for services	\$ 109,347	\$ 87,719	\$ 473,359	\$ 433,389	\$ 582,706	\$ 521,108
Operating grants & contributions	36,792	50,865	-	-	36,792	50,865
Capital grants & contributions	-	-	288,210	281,975	288,210	281,975
General revenues:						
Property taxes	371,132	370,809	-	-	371,132	370,809
Sales taxes	187,222	150,768	-	-	187,222	150,768
Franchise fees	43,246	42,484	-	-	43,246	42,484
Gain on sale of assets	8,000	-	-	-	8,000	-
Investment earnings	85	1,423	-	-	85	1,423
Total revenues	<u>755,824</u>	<u>704,068</u>	<u>761,569</u>	<u>715,364</u>	<u>1,517,393</u>	<u>1,419,432</u>
Expenses						
General government	268,352	165,138	-	-	268,352	165,138
Public safety	83,376	121,745	-	-	83,376	121,745
Cultural & recreation	40,758	76,466	-	-	40,758	76,466
Public works	130,152	125,033	-	-	130,152	125,033
Interest on long-term debt	7,175	7,920	18,723	19,997	25,898	27,917
Water & Sewer	-	-	511,983	522,821	511,983	522,821
Total expenses	<u>529,813</u>	<u>496,302</u>	<u>530,706</u>	<u>542,818</u>	<u>1,060,519</u>	<u>1,039,120</u>
Transfers	(21,497)	(116,195)	21,497	116,195	-	-
Change in net position	<u>\$ 204,514</u>	<u>\$ 91,571</u>	<u>\$ 252,360</u>	<u>\$ 288,741</u>	<u>\$ 456,874</u>	<u>\$ 380,312</u>

Fiscal year 2021 governmental activities revenues (before transfers) increased \$51,756 over 2020 governmental activities revenues. Fees, fines, and charges for services revenues increased \$21,628 or 25% from 2020 primarily due to an increase in conduit loan fees revenue. In fiscal year 2021 the City received \$36,789 in library grants compared to \$50,544 in 2020. Sales tax revenues increased \$36,454 due to an increase in retail sales in the city due to changes in the state laws related to online sales. Interest earned on the City's investments decreased \$1,338 or 94% in 2021 as the City's reserve cash balance decreased.

The City continued to closely monitor its governmental operating expenses during the fiscal year. Total governmental operating expenses increased \$33,511 or 7% from 2020 to 2021. General government expenses increased \$103,214 or 63% primarily due to the change in salary allocations between the general government, public safety, and cultural and recreation departments.

Fiscal year 2021 business-type activities revenues increased \$46,205 or 6% from 2020 to 2021 primarily due to an increase in water and sewer revenues of \$36,558 or 9%. Business-type activities expenses decreased \$12,112 or (2%) from 2020 expenses.

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 \$743,756, which is an increase of \$184,161 from the prior year. The components of the governmental fund balances are as follows:

	As of September 30,	
	2021	2020
Non-spendable prepaid expenses	\$ 2,022	\$ 3,068
Restricted		
Debt Service	26,173	25,633
Municipal Development	175,323	115,317
Total restricted	201,496	140,950
Unsigned	540,238	415,577
Total fund balance	\$ 743,756	\$ 559,595

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 \$142,413 and the net position of the water and sewer fund increased \$252,360 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 \$261,500 and decreasing expenditures in the amount of \$77,200. The amended budget resulted in a budget surplus of \$124,639. Actual revenues were less than budgeted revenues by \$163,332 and actual expenditures were less than budgeted expenditures by \$162,308.

A general fund budget - actual summary for 2021 is as follows:

	Amended Budget	Actual	Variance
Revenues			
Taxes	\$ 493,702	\$ 499,350	\$ 5,648
Municipal court fines & fees	22,050	18,031	(4,019)
Licenses & permits	23,000	23,995	995
Charges for services	36,251	13,140	(23,111)
Intergovernmental	41,903	36,789	(5,114)
Grants & donations	150,000	3	(149,997)
Other revenues	50,000	54,181	4,181
Investment income	-	85	85
Gain on sale of assets	-	8,000	8,000
Total revenues	\$ 816,906	\$ 653,574	\$ (163,332)

General fund budget – actual summary continued:

	Amended Budget	Actual	Variance
Expenditures			
Administration	\$ 274,149	\$ 266,022	\$ 8,127
Public safety	78,069	72,185	5,884
Fire department	10,000	10,000	-
Parks	700	(13)	713
Public works	254,244	111,844	142,400
Library	47,105	28,865	18,240
Capital outlay	28,000	40,822	(12,822)
Transfers	-	234	(234)
Total expenditures	<u>692,267</u>	<u>529,959</u>	<u>162,308</u>
Excess of revenues over (under) expenditures	<u>\$ 124,639</u>	<u>\$ 123,615</u>	<u>\$ (1,024)</u>

During the fiscal year, the City transferred \$234 to the water and sewer fund for debt service payments. These transfers were not included in the amended budget.

PENSIONS AND OPEB

Pensions continue to receive negative media attention as governments around the nation struggle to fund these commitments. 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 Asset as of September 30, 2021, of \$6,492 which is (2.35)% of the City’s annual covered payroll of \$276,236. The City’s net pension asset increased \$12,851 from September 30, 2020, to September 30, 2021, as the City had a net pension liability of \$6,359 at September 30, 2020.

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, 2021, was \$5,491, a decrease of \$326 from September 30, 2020.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2021, amounts to \$3,374,694 (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 2021 include a skid steer of \$23,000, street improvements of \$17,822, construction in process of \$9,150 and \$299,061 for water well improvements and wastewater treatment plant improvements, and an air compressor of \$1,455. Additionally, the water well construction in process project was completed and \$305,479 was transferred from construction in process to waterworks and sewer system improvements. The City's capital assets, net of accumulated depreciation, are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 71,549	\$ 71,549	\$ 4,400	\$ 4,400	\$ 75,949	\$ 75,949
Construction in process	-	-	407,007	404,275	407,007	404,275
Buildings & improvements	66,035	18,249	23,978	24,898	90,013	43,147
Equipment	26,487	66,757	34,402	49,969	60,889	116,726
Parks	27,596	31,139	-	-	27,596	31,139
Streets & drainage	221,573	220,591	-	-	221,573	220,591
Waterworks & Sewer system	-	-	2,491,667	2,345,516	2,491,667	2,345,516
Totals	\$ 413,240	\$ 408,285	\$ 2,961,454	\$ 2,829,058	\$ 3,374,694	\$ 3,237,343

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

DEBT ADMINISTRATION

The City added did not add any long-term debt during the fiscal year ended September 30, 2021. Outstanding long-term debts are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Finance contract	\$ -	\$ -	\$ 22,430	\$ 27,354	\$ 22,430	\$ 27,354
Certificates of obligation	139,000	155,000	442,000	467,000	581,000	622,000
Total long-term debt	\$ 139,000	\$ 155,000	\$ 464,430	\$ 494,354	\$ 603,430	\$ 649,354

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 2022 are \$814,972 a \$16,862 increase from final 2021 budgeted revenues. The tax rate applied in the 2022 budget is \$0.515667 cents per \$100 of valuation, a decrease of \$0.010832 cents per \$100 of valuation from the 2021 tax rate.

Budgeted general fund expenditures for fiscal year 2022 are \$934,953 and included \$132,870 for administrative wages, \$50,000 for police contract services, and \$159,161 for public works wages. For the fiscal year 2022 budget purposes all of the water and sewer personnel cost were included the general fund public works budget. The net budget has a deficit of \$119,981 in the general fund for fiscal year 2022.

Water and sewer fund 2022 budgeted revenues are \$465,000 a decrease of \$8,359 over the fiscal year 2021 actual revenues. Budgeted water and sewer fund expenditures total \$338,019 and include \$21,525 for debt service payments and \$52,479 for capital improvements. There is a net budget surplus of \$126,981 in the water sewer fund for fiscal year 2022.

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 any 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, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & equivalents	\$ 689,092	\$ 119,638	\$ 808,730
Accounts receivable (net of allowances)	57,336	141,162	198,498
Prepaid expenses	2,022	1,225	3,247
Restricted cash & equivalents	190,926	72,337	263,263
Net pension asset	3,652	2,840	6,492
Capital assets:			
Land	71,549	4,400	75,949
Buildings & improvements	244,393	41,912	286,305
Equipment	187,131	260,200	447,331
Infrastructure	304,943	4,854,259	5,159,202
Construction in progress	-	407,007	407,007
Less - accumulated depreciation	(394,776)	(2,606,324)	(3,001,100)
Total assets	<u>1,356,268</u>	<u>3,298,656</u>	<u>4,654,924</u>
Deferred Outflows of Resources			
Pension related	3,332	2,591	5,923
OPEB related	989	768	1,757
Total deferred outflows of resources	<u>4,321</u>	<u>3,359</u>	<u>7,680</u>
Liabilities			
Accounts payable	19,125	105,082	124,207
Accrued liabilities	2,693	10,871	13,564
Accrued compensated absences	3,839	2,150	5,989
Customer deposits	-	72,337	72,337
Unearned revenues	152,636	-	152,636
OPEB liability	3,089	2,402	5,491
Long-term debt-due within one year	17,000	31,210	48,210
Long-term debt-due in more than one year	122,000	433,220	555,220
Total liabilities	<u>320,382</u>	<u>657,272</u>	<u>977,654</u>
Deferred Inflows of Resources			
Pension related	5,984	4,653	10,637
OPEB related	840	653	1,493
Total deferred inflows of resources	<u>6,824</u>	<u>5,306</u>	<u>12,130</u>
Net Position			
Net investment in capital assets, net of related debt	274,240	2,497,024	2,771,264
Restricted for:			
Debt service	26,173	-	26,173
Special revenues	175,323	-	175,323
Unrestricted	557,647	142,413	700,060
Total net position	<u>\$ 1,033,383</u>	<u>\$ 2,639,437</u>	<u>\$ 3,672,820</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	\$ (268,352)	\$ 91,210	\$ -	\$ -	\$ (177,142)	\$ -	\$ (177,142)
Public safety	(83,376)	18,031	3	-	(65,342)	-	(65,342)
Culture & recreation	(40,758)	106	36,789	-	(3,863)	-	(3,863)
Public works	(130,152)	-	-	-	(130,152)	-	(130,152)
Interest on long-term debt	(7,175)	-	-	-	(7,175)	-	(7,175)
Total governmental activities	<u>(529,813)</u>	<u>109,347</u>	<u>36,792</u>	<u>-</u>	<u>(383,674)</u>	<u>-</u>	<u>(383,674)</u>
Business-type activities:							
Water & sewer	(530,706)	473,359	-	288,210	-	230,863	230,863
Total Business-type activities	<u>(530,706)</u>	<u>473,359</u>	<u>-</u>	<u>288,210</u>	<u>-</u>	<u>230,863</u>	<u>230,863</u>
Total primary government	<u>\$ (1,060,519)</u>	<u>\$ 582,706</u>	<u>\$ 36,792</u>	<u>\$ 288,210</u>	<u>(383,674)</u>	<u>230,863</u>	<u>(152,811)</u>
General revenues:							
Property taxes					371,132	-	371,132
Sales taxes					187,222	-	187,222
Franchise fees					43,246	-	43,246
Gain on sale of assets					8,000	-	8,000
Interest income					85	-	85
Transfers					(21,497)	21,497	-
Total general revenues and transfers					<u>588,188</u>	<u>21,497</u>	<u>609,685</u>
Change in net position					204,514	252,360	456,874
Net position, beginning					828,869	2,387,077	3,215,946
Net position, ending					<u>\$ 1,033,383</u>	<u>\$ 2,639,437</u>	<u>\$ 3,672,820</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Municipal Development Fund	Total Governmental Funds
Assets:				
Cash & cash equivalents	\$ 689,092	\$ 26,173	\$ 164,753	\$ 880,018
Receivables:				
Property taxes	19,664	3,440	-	23,104
Sales taxes	22,754	-	10,570	33,324
Franchise fees	908	-	-	908
Prepaid expenses	2,022	-	-	2,022
Total assets	\$ 734,440	\$ 29,613	\$ 175,323	\$ 939,376
Liabilities:				
Accounts payable	\$ 19,125	\$ -	\$ -	\$ 19,125
Accrued liabilities	755	-	-	755
Total liabilities	19,880	-	-	19,880
Deferred inflows of resources:				
Unavailable revenue-property taxes	19,664	3,440	-	23,104
Unavailable revenue-grants	152,636	-	-	152,636
	<u>172,300</u>	<u>3,440</u>	<u>-</u>	<u>175,740</u>
Fund balances:				
Non-spendable prepaid expenses	\$ 2,022	\$ -	\$ -	\$ 2,022
Restricted:				
Debt Service	-	26,173	-	26,173
Municipal development	-	-	175,323	175,323
Unassigned	540,238	-	-	540,238
Total fund balances	542,260	26,173	175,323	743,756
Total liabilities and fund balances	\$ 734,440	\$ 29,613	\$ 175,323	\$ 939,376

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, 2021*

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 743,756

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	\$ 808,016	
Less accumulated depreciation	<u>(394,776)</u>	413,240

Property taxes and municipal court receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		23,104
--	--	--------

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

Net pension asset	3,652	
Deferred outflows of resources from pensions	3,332	
Deferred inflows of resources from pensions	<u>(5,984)</u>	1,000

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	(3,089)	
Deferred outflows of resources from OPEB	989	
Deferred inflows of resources from OPEB	<u>(840)</u>	(2,940)

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	(139,000)	
Accrued interest	(1,938)	
Compensated absences	<u>(3,839)</u>	(144,777)

Net position of governmental activities - statement of net position \$ 1,033,383

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, 2021

	General Fund	Debt Service Fund	Municipal Development District	Total Governmental Funds
Revenues:				
Property taxes	\$ 328,888	\$ 45,212	\$ -	\$ 374,100
Sales taxes	127,216	-	60,006	187,222
Franchise fees	43,246	-	-	43,246
Intergovernmental	36,789	-	-	36,789
Charges for services	13,141	-	-	13,141
Municipal court	18,031	-	-	18,031
Licenses & permits	23,995	-	-	23,995
Donation & grant revenues	3	-	-	3
Other revenues	24,180	-	-	24,180
Conduit loan fees	30,000	-	-	30,000
Interest income	85	-	-	85
Total revenues	<u>645,574</u>	<u>45,212</u>	<u>60,006</u>	<u>750,792</u>
Expenditures:				
General government	266,022	-	-	266,022
Public safety	82,185	-	-	82,185
Culture & recreation	28,852	-	-	28,852
Public works	111,844	-	-	111,844
Debt service-principle	-	16,000	-	16,000
Debt service-interest	-	7,409	-	7,409
Capital outlay	40,822	-	-	40,822
Total expenditures	<u>529,725</u>	<u>23,409</u>	<u>-</u>	<u>553,134</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>115,849</u>	<u>21,803</u>	<u>60,006</u>	<u>197,658</u>
Other financing sources (uses):				
Gain on sale of assets	8,000	-	-	8,000
Transfers	(234)	(21,263)	-	(21,497)
Total other financing sources (uses)	<u>7,766</u>	<u>(21,263)</u>	<u>-</u>	<u>(13,497)</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>123,615</u>	<u>540</u>	<u>60,006</u>	<u>184,161</u>
Fund balance, beginning of the year	<u>418,645</u>	<u>25,633</u>	<u>115,317</u>	<u>559,595</u>
Fund balance, ending	<u>\$ 542,260</u>	<u>\$ 26,173</u>	<u>\$ 175,323</u>	<u>\$ 743,756</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, 2021*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 184,161

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	\$ 40,822	
Depreciation expense during the year	<u>(35,867)</u>	4,955

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: (2,967)

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. 16,000

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	234	
Compensated absences	2,129	
Pension liability	690	
OPEB liability	<u>(688)</u>	2,365

Change in net position of governmental activities - statement of activities \$ 204,514

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water & Sewer Fund
Assets	
Current assets:	
Cash & cash equivalents	\$ 119,638
Accounts receivable (net)	141,162
Prepaid expenses	1,225
Total current assets	<u>262,025</u>
Non-current assets:	
Restricted cash	72,337
Net pension asset	2,840
Total non-current assets	<u>75,177</u>
Capital assets:	
Land	4,400
Construction in progress	407,007
Buildings	41,912
Equipment	260,200
Distribution & collection system	4,854,259
	<u>5,567,778</u>
Less accumulated depreciation	<u>(2,606,324)</u>
Net capital assets	<u>2,961,454</u>
Total assets	<u>\$ 3,298,656</u>
Deferred Outflows of Resources	
Pension related	\$ 2,591
OPEB related	768
Total deferred outflows of resources	<u>\$ 3,359</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 105,082
Accrued expenses	10,871
Accrued compensated absences	2,150
Customer deposit liability	72,337
Finance contract-due in one year	5,210
2013 certificates of obligation-due in one year	26,000
Total current liabilities	<u>221,650</u>
Noncurrent liabilities:	
OPEB liability	2,402
Finance contracts	17,220
2013 certificates of obligation	416,000
Total non-current liabilities	<u>435,622</u>
Total liabilities	<u>\$ 657,272</u>
Deferred Inflows of Resources	
Pension related	\$ 4,653
OPEB related	653
Total deferred inflows of resources	<u>\$ 5,306</u>
Net Position	
Net investment in capital assets, net of related debt	\$ 2,497,024
Unrestricted	142,413
Total net position	<u>\$ 2,639,437</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, 2021**

	Water and Sewer Fund
Operating revenues:	
Water and sewer services	\$ 461,161
Late charges	7,411
Reconnect fees	4,787
Total operating revenues	<u>473,359</u>
Operating expenses:	
Personnel	125,955
Insurance	12,506
Contract service	97,273
Supplies and repairs	47,622
Vehicle expense	12,428
Utilities	38,929
Depreciation	177,270
Total operating expenses	<u>511,983</u>
Operating income (loss)	<u>(38,624)</u>
Non-operating revenues (expenses):	
Debt interest expense	(18,723)
Grant revenue	288,210
Transfers	21,497
Total non-operating revenues (expenses)	<u>290,984</u>
Change in net position	252,360
Net position, beginning of year	2,387,077
Net position, end of year	<u>\$ 2,639,437</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, 2021

	<u>Totals</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 409,465
Cash payments to employees for services	(148,806)
Cash payments to other suppliers for goods and services	(132,996)
Net cash provided by operating activities	<u>127,663</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers to other funds	21,497
Net cash used by non-capital financing activities	<u>21,497</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid	(29,924)
Interest paid	(18,723)
Grants received for capital outlay	288,210
Acquisition or construction of capital assets	(309,666)
Net cash used by capital and related financing activities	<u>(70,103)</u>
Cash Flows from Investing Activities:	
Interest on investments	-
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	79,057
Cash and cash equivalents at beginning of year	112,918
Cash and cash equivalents at end of period	<u>\$ 191,975</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	\$ (38,624)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	177,270
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	(67,444)
Prepays	966
Net pension asset	(7,561)
Deferred outflows of resources	(717)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable and other accrued liabilities	62,290
Deposit payable	3,550
Compensated absences	(6,901)
OPEB liability	(472)
Deferred intflows of resources	5,306
Total adjustments	<u>166,287</u>
Net cash provided by operating activities	<u>\$ 127,663</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.

NHEFS was created in April 2014 primarily for the purpose of proving financing of "educational facilities" or "housing facilities" as these terms are defined in the Texas Education Code. NHEFC does not have any assets or liabilities. See Note 6 related to conduit debt.

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

In the government-wide Statement of Net Position governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, culture, recreation and public works). The functions are also supported by general government revenues (property, sales and franchise taxes).

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants.

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City.

1. Governmental Funds:

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

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

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

2. Proprietary Funds:

The focus of proprietary funds' measurement is upon determination of operating income, changes in net Position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Water and Sewer - The Water and Sewer Fund is used to account for the operation of the City's water and sewer system for which a fee is charged to external customers for goods and services and the activity is (a) financed with debt secured by a pledge of the net revenues and (b) has the requirement that the cost of providing services, including capital costs, be recovered by user fees and charges.

The City does not have any fiduciary funds.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.
2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that 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, 2021

For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

3. Prepaid Expenses:

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

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Equipment	3-15 years
Water & Sewer system	25-40 years

5. Interfund Receivable and Payables:

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

6. Transfers Between Funds:

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

7. Compensated Absences:

The City accrues accumulated unpaid vacation time when earned by the employee. The noncurrent portion (the amount estimated to be used in subsequent years) is maintained separately and represents a reconciling item between the fund and government-wide presentations.

8. Deferred Outflows of Resources:

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statement include (1) a deferred outflow of resources for contributions made to the City's retirement and OPEB plans between the measurement date of the net pension liabilities from the plan and the end of the City's fiscal year, (2) deferred outflows of resources related to differences between pension and OPEB expected and actual experience, (3) deferred outflows of resources related to differences between projected and actual pension plan investments, and (4) deferred outflows of resources related to differences in pension and OPEB assumptions changes

The deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. The deferred outflows related to expected and actual experience will be amortized to pension expense over a period of 6.08 years; the deferred outflows related to projected and actual earnings will be amortized to pension expense over a period of 5 years and the deferred outflows related to assumption changes will be amortized to pension expense over a period of 6.08 years No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

9. Deferred Inflows of Resources:

The City's statement of government-wide net position reports a separate section for deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). There are no deferred inflows of resources currently reported by the City in its government-wide position reports. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues

10. Pensions:

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

11. Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further categorized as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

12. Bad Debts:

Bad debts in the proprietary fund are considered immaterial, therefore the City uses the direct write-off method to record bad debts. The City anticipates ultimately collecting 100% of delinquent property taxes, therefore there is no allowance for delinquent property taxes in the government-wide financial statements.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021, none of the departments had expenditures that exceeded appropriations.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2. DEPOSITS

At September 30, 2021, the carrying amount of the City’s cash accounts was \$1,071,993, made up of petty cash of \$600 and \$1,071,393 held in checking accounts a local financial institution. The City did not own any investments at September 30, 2021.

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, 2021, the City’s bank balances (per bank) totaled \$1,083,426. 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, 2021. Securities pledged by the City depository institution consists of the following:

SECURITY	PAR	FMV
Salado TX ISD bond	\$ 465,000	\$ 470,101
Grandview TX ISD bond	\$ 265,000	\$ 305,955

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, 2021

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	Beginning Balance	Purchases	Retirements & Transfers	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 71,549	\$ -	\$ -	\$ 71,549
Total capital assets not being depreciated	<u>71,549</u>	<u>-</u>	<u>-</u>	<u>71,549</u>
Capital assets being depreciated:				
Buildings and improvements	185,117	-	59,276	244,393
Equipment	187,980	23,000	(59,276)	151,704
Parks	35,427	-	-	35,427
Infrastructure	287,121	17,822	-	304,943
Total capital assets being depreciated	<u>695,645</u>	<u>40,822</u>	<u>-</u>	<u>736,467</u>
Less accumulated depreciation				
Buildings and improvements	166,868	11,490	-	178,358
Equipment	121,223	3,994	-	125,217
Parks	4,288	3,543	-	7,831
Infrastructure	66,530	16,840	-	83,370
Total accumulated depreciation	<u>358,909</u>	<u>35,867</u>	<u>-</u>	<u>394,776</u>
Total capital assets being depreciated, net	<u>336,736</u>	<u>4,955</u>	<u>-</u>	<u>341,691</u>
Total capital assets, net	<u>\$ 408,285</u>	<u>\$ 4,955</u>	<u>\$ -</u>	<u>\$ 413,240</u>
	Beginning Balance	Purchases	Retirements & Transfers	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,400	\$ -	\$ -	\$ 4,400
Construction in Progress	404,275	308,211	(305,479)	407,007
Total capital assets not being depreciated	<u>408,675</u>	<u>308,211</u>	<u>(305,479)</u>	<u>411,407</u>
Capital assets being depreciated:				
Buildings and improvements	41,912	-	-	41,912
Equipment	258,745	1,455	-	260,200
Waterworks and sanitary sewer system	4,548,780	-	305,479	4,854,259
Total capital assets being depreciated	<u>4,849,437</u>	<u>1,455</u>	<u>305,479</u>	<u>5,156,371</u>
Less accumulated depreciation				
Buildings and improvements	17,014	920	-	17,934
Equipment	208,776	17,022	-	225,798
Waterworks and sanitary sewer system	2,203,264	159,328	-	2,362,592
Total accumulated depreciation	<u>2,429,054</u>	<u>177,270</u>	<u>-</u>	<u>2,606,324</u>
Total capital assets being depreciated, net	<u>2,420,383</u>	<u>(175,815)</u>	<u>305,479</u>	<u>2,550,047</u>
Total capital assets, net	<u>\$ 2,829,058</u>	<u>\$ 132,396</u>	<u>\$ -</u>	<u>\$ 2,961,454</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Depreciation expense was charged to Governmental Activities as follows:

Administration	\$ 4,461
Public safety	1,191
Library	8,363
Parks	3,543
Public Works	18,309
Total depreciation expense	<u>\$ 35,867</u>

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

Water & Sewer	\$ 177,270
Total depreciation expense	<u>\$ 177,270</u>

NOTE 5: INTERFUND TRANSFERS

During the fiscal year, the debt service fund transferred \$21,497 to the water and sewer fund to pay for one-half of the annual bond principal and interest payments related to the Series 2013 Certificates of Obligation.

NOTE 6: CONDUIT DEBT

Conduit debt obligations are certain limited-obligation debt instruments issued by a local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer’s financial reporting entity. Although conduit debt obligations bear the name of the governmental entity, the issuer has no obligation for such debt beyond the resources provided by the loan with the third party on whose behalf they are issued.

The City’s component units, the Newark Cultural Educational Facilities Finance Corporation (NCEFFC) and Newark Higher Education Finance Corporation (NHEFC), have entered into multiple conduit loan agreements with different entities and their lenders. Neither the faith and credit or taxing power of the City is pledged to the payment of the notes held by these entity’s lenders. The current transactional structure of the agreements is that the entities make their loan payments directly to their lenders and NCEFFC and NHEFC do not handle any monetary transactions.

NOTE 7: LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended September 30, 2021.

	Beginning Balances	New Debt	Repayments	Ending Balance	Current Portion
Governmental activities:					
2008 Tax & revenue certificates of obligation	\$ 155,000	\$ -	\$ 16,000	\$ 139,000	\$ 17,000
Total governmental activities	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ 139,000</u>	<u>\$ 17,000</u>
Business-type activities:					
2013 Certificates of obligation	\$ 467,000	\$ -	\$ 25,000	\$ 442,000	\$ 26,000
Finance contract	27,354	-	4,924	22,430	5,210
Total business-type activities	<u>\$ 494,354</u>	<u>\$ -</u>	<u>\$ 29,924</u>	<u>\$ 464,430</u>	<u>\$ 31,210</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Governmental activities:

Combination Tax and Revenue Certificates of Obligation, Series 2008 - The certificates are payable from an ad valorem tax to be levied by the City and bear interest at 4.5%. The certificates mature on or after June 15, 2019, can be redeemed prior to their maturity on December 15, 2018, or any date thereafter. The certificates require semi-annual payments with the final payment due in June 2028.

Annual debt service requirements for governmental activities are as follows:

Year	Principal	Interest	Total
2022	\$ 17,000	\$ 6,644	\$ 23,644
2023	18,000	5,832	23,832
2024	19,000	4,971	23,971
2025	20,000	4,063	24,063
2026	21,000	3,107	24,107
2027-2031	44,000	3,203	47,203
Total	<u>\$ 139,000</u>	<u>\$ 27,820</u>	<u>\$ 166,820</u>

Business-type activities:

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

Finance Contract – In October 2019, the City entered into a public property finance contract with Government Capital for the purchase of a vehicle. The agreement requires five annual payments of \$6,315, including interest at 4.929%, beginning in October 2020. The agreement is secured by ad valorem taxes to be levied annually by the City.

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

Certificates of obligation:

Year	Principal	Interest	Total
2022	\$ 26,000	\$ 17,031	\$ 43,031
2023	28,000	15,959	43,959
2024	29,000	14,828	43,828
2025	30,000	13,657	43,657
2026	31,000	12,446	43,446
2027-2031	175,000	42,340	217,340
2032-2036	123,000	7,483	130,483
Total	<u>\$ 442,000</u>	<u>\$ 123,744</u>	<u>\$ 565,744</u>

Finance contract:

Year	Principal	Interest	Total
2022	\$ 5,210	\$ 4,128	\$ 9,338
2023	5,466	2,736	8,202
2024	5,736	1,450	7,186
2025	6,018	433	6,451
Total	<u>\$ 22,430</u>	<u>\$ 8,747</u>	<u>\$ 31,177</u>

NOTE 8: RETIREMENT PLAN

A. Plan Description

The City participates as one of 895 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

All eligible employees of the City are required to participate in TMRS. The City joined TMRS in March 2014.

B. Benefits provided

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

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

The City has adopted the following plan provisions:

	Plan year 2020	Plan year 2021
	<u>5.00%</u>	<u>5.00%</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20

At the December 31, 2020, valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	6
	<u>12</u>
Total	<u>12</u>

C. Contributions

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.33% and 3.06% for the calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021, were \$8,149 and were equal to the required contributions.

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the general Employee table used for females. Mortality tables for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate 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 Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four-year period December 31, 2014, through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$ 86,745	\$ 80,386	\$ 6,359
Service Cost	18,535	-	18,535
Interest	5,978	-	5,978
Differences between expected and actual results	(9,302)	-	(9,302)
Change in assumptions	-	-	-
Contributions - employer	-	8,149	(8,149)
Contributions - employee	-	13,812	(13,812)
Net investment income	-	6,141	(6,141)
Benefit Payments, including refunds of employee contributions	(14,897)	(14,897)	-
Administrative expense	-	(39)	39
Other	-	(1)	1
Net Changes	314	13,165	(12,851)
Balance at December 31, 2020	\$ 87,059	\$ 93,551	\$ (6,492)

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Asset	<u>\$ 9,078</u>	<u>\$ (6,492)</u>	<u>\$ (19,028)</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$2,627. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between projected and actual investment earnings	\$ -	\$ (2,212)	\$ (2,212)
Differences between expected and actual economic experience	-	(8,425)	(8,425)
Difference in assumption changes	1,213	-	1,213
To be recognized in the future	<u>1,213</u>	<u>(10,637)</u>	<u>\$ (9,424)</u>
Contributions subsequent to the measurement date	<u>4,710</u>	<u>-</u>	
Total	<u>\$ 5,923</u>	<u>\$ (10,637)</u>	

The \$4,710 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Year Ending December 31,	
2021	\$ (2,952)
2022	(2,390)
2023	(3,551)
2024	(547)
2025	16
	<u>\$ (9,424)</u>

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

A. Benefit Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) administered defined benefit group-term life insurance plan known as the Supplemental Death benefits Fund (SBDF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employer’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other 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 SBDF 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.

At the December 31, 2020, 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	<u>6</u>
Total	<u><u>7</u></u>

B. Total OPEB Liability

The City’s Total OPEB Liability was measured as of December 31, 2020, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate*	2.00%
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 Morality Tables, The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-disabled retirees	2019 Municipal Retirees of Texas Morality 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 young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2018.

Changes in Total OPEB Liability:

Balance at December 31, 2019	\$ 5,817
Changes for the year	
Service Cost	801
Interest On Total OPEB Liability	171
Changes of benefit terms	-
Differences between expected and actual results	(2,142)
Changes in assumptions or other inputs	872
Benefit Payments *	(28)
Net Changes	<u>(326)</u>
Balance at December 31, 2020	<u>\$ 5,491</u>

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

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 6,960	\$ 5,491	\$ 4,357

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

For the year ended September 30, 2021, the City recognized OPEB expense of 1,062.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual economic experience	\$ -	\$ (1,493)	\$ (1,493)
Difference in assumption changes	1,590	-	1,590
To be recognized in the future	1,590	(1,493)	\$ 97
Contributions subsequent to the measurement date	167	-	
Total	\$ 1,757	\$ (1,493)	

The \$167 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

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,	
2021	\$ 18
2022	18
2023	18
2024	18
2025	18
Thereafter	7
	\$ 97

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021, through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

Required Supplementary Information

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

CITY OF NEWARK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Tax revenues				
Property taxes	\$ 326,702	\$ 326,702	\$ 328,888	\$ 2,186
Sales taxes	89,000	124,000	127,216	3,216
Franchise fees	40,000	43,000	43,246	246
Total tax revenues	<u>455,702</u>	<u>493,702</u>	<u>499,350</u>	<u>5,648</u>
Municipal court fines & fees	11,550	22,050	18,031	(4,019)
Intergovernmental				
Library grants	32,903	41,903	36,789	(5,114)
Total intergovernmental	<u>32,903</u>	<u>41,903</u>	<u>36,789</u>	<u>(5,114)</u>
Charges for services				
Library fees	675	675	106	(569)
Garbage collection, net of expense	19,576	35,576	13,035	(22,541)
Total charges for services	<u>20,251</u>	<u>36,251</u>	<u>13,141</u>	<u>(23,110)</u>
License & permits				
Building permits	15,000	23,000	23,541	541
Animal registration	-	-	454	454
Total licenses & permits	<u>15,000</u>	<u>23,000</u>	<u>23,995</u>	<u>995</u>
Donations & grants				
Donations	-	-	3	3
Covid-19 grant	-	150,000	-	(150,000)
Total donations & grants	<u>-</u>	<u>150,000</u>	<u>3</u>	<u>(149,997)</u>
Other revenues				
Cell tower rental	20,000	20,000	22,212	2,212
Conduit loan fees	-	30,000	30,000	-
Other income	-	-	133	133
Gas lease income	-	-	1,835	1,835
Total other revenues	<u>20,000</u>	<u>50,000</u>	<u>54,180</u>	<u>4,180</u>
Investment income	-	-	85	85
Total resources (inflows)	<u>555,406</u>	<u>816,906</u>	<u>645,574</u>	<u>(171,332)</u>
Charges to appropriations:				
Administration				
Salaries & wages	124,325	124,325	133,427	(9,102)
Payroll taxes	11,500	11,500	11,182	318
Retirement	3,124	3,124	2,904	220
Health insurance	16,164	16,164	15,088	1,076
Audit services	7,500	7,500	-	7,500
Legal services	50,000	45,000	41,419	3,581
Tax collection fees	6,000	6,000	6,272	(272)

CITY OF NEWARK, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Building inspection fees	7,000	11,000	10,710	290
Building maintenance	5,000	3,000	2,858	142
Codification services	4,000	1,000	395	605
Computer expense	7,000	7,000	6,989	11
Dues & subscriptions	1,000	1,000	957	43
Election	9,000	3,000	2,871	129
Insurance	5,522	5,522	4,946	576
Supplies, Copier, Postage & Other	21,814	16,814	15,933	881
Public notices	2,000	2,000	1,762	238
Telephone & utilities	9,200	9,200	8,309	891
Travel & Training	1,000	1,000	-	1,000
Total administration	<u>291,149</u>	<u>274,149</u>	<u>266,022</u>	<u>8,127</u>
Public safety				
Animal control	2,500	1,000	500	500
Contract labor - police	75,000	37,000	36,129	871
Insurance	2,569	2,569	2,129	440
Judge & Prosecutor	15,000	6,500	5,428	1,072
Salary & wages - municipal court	1,500	1,500	1,500	-
Health insurance - municipal court	-	-	438	(438)
Supplies & software	9,500	9,500	7,797	1,703
Training	500	500	110	390
Code enforcement	19,500	19,500	18,154	1,346
Total public safety	<u>126,069</u>	<u>78,069</u>	<u>72,185</u>	<u>5,884</u>
Fire department				
Fire protection services	10,000	10,000	10,000	-
Total fire department	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Parks				
Supplies & maintenance	3,000	100	27	73
Utilities	600	600	(40)	640
Total parks	<u>3,600</u>	<u>700</u>	<u>(13)</u>	<u>713</u>
Public works				
Salaries & wages	152,737	152,737	31,436	121,301
Payroll taxes	14,128	14,128	2,447	11,681
Retirement	3,838	3,838	799	3,039
Health insurance	16,164	16,164	6,029	10,135
Engineering	5,000	-	-	-
Insurance	11,777	11,777	11,247	530
Street lights	11,000	14,500	14,162	338
Street maintenance	11,000	3,100	7,393	(4,293)
Mowing	36,000	36,000	36,150	(150)
Equipment maintenance	2,000	2,000	2,181	(181)
Total public works	<u>263,644</u>	<u>254,244</u>	<u>111,844</u>	<u>142,400</u>

CITY OF NEWARK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Library				
Salaries & wages	25,480	25,480	11,467	14,013
Payroll taxes	2,357	2,357	980	1,377
Retirement	640	640	313	327
Health insurance	5,388	5,388	2,558	2,830
Books and supplies	3,200	3,200	6,201	(3,001)
Supplies	2,600	2,600	1,501	1,099
Building maintenance	1,000	1,000	632	368
Events	2,400	500	433	67
Telephone & utilities	6,440	5,440	4,414	1,026
Security	500	500	366	134
Total library	<u>50,005</u>	<u>47,105</u>	<u>28,865</u>	<u>18,240</u>
Total appropriations	<u>744,467</u>	<u>664,267</u>	<u>488,903</u>	<u>175,364</u>
Excess of revenues over (under) expenditures before other financing sources and capital outlay	<u>(189,061)</u>	<u>152,639</u>	<u>156,671</u>	<u>4,032</u>
Capital outlay				
Public Works	<u>(25,000)</u>	<u>(28,000)</u>	<u>(40,822)</u>	<u>(12,822)</u>
Total capital outlay	<u>(25,000)</u>	<u>(28,000)</u>	<u>(40,822)</u>	<u>(12,822)</u>
Other financing sources				
Gain on sale of assets	-	-	8,000	8,000
Transfers	-	-	(234)	(234)
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,766</u>	<u>7,766</u>
Excess of revenues over (under) expenditures	<u>\$ (214,061)</u>	<u>\$ 124,639</u>	123,615	<u>\$ (1,024)</u>
Fund balance, beginning			<u>418,645</u>	
Fund balance, ending			<u>\$ 542,260</u>	

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021.

CITY OF NEWARK, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2020

EXHIBIT B-2

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Pension Liability							
Service cost	\$ 7,192	\$ 9,904	\$ 14,171	\$ 14,688	\$ 15,808	\$ 15,693	\$ 18,535
Interest (on the Total Pension Liability)	1,192	1,853	2,968	4,099	4,955	5,667	5,978
Changes of benefit terms	13,737	-	-	-	-	-	-
Difference between expected and actual experience	-	1,451	745	(6)	1,593	(4,784)	(9,302)
Change of assumptions	-	2,153	-	-	-	530	-
Benefit payments, including refunds of employee contributions	(602)	-	-	(2,769)	(10,547)	(12,946)	(14,897)
Net Change in Total Pension Liability	21,519	15,361	17,884	16,012	11,809	4,160	314
Total Pension Liability - Beginning	-	21,519	36,880	54,764	70,776	82,585	86,745
Total Pension Liability - Ending (a)	<u>\$ 21,519</u>	<u>\$ 36,880</u>	<u>\$ 54,764</u>	<u>\$ 70,776</u>	<u>\$ 82,585</u>	<u>\$ 86,745</u>	<u>\$ 87,059</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 3,199	\$ 5,177	\$ 6,975	\$ 6,846	\$ 6,034	\$ 7,356	\$ 8,149
Contributions - Employee	5,432	7,481	10,158	10,832	11,133	11,677	13,812
Net investment income	-	12	1,406	5,461	(1,795)	10,017	6,141
Benefit payments, including refunds of employee contributions	(602)	-	-	(2,769)	(10,547)	(12,946)	(14,897)
Administrative expenses	-	(9)	(16)	(28)	(34)	(56)	(39)
Other	-	-	(1)	(2)	(4)	(1)	(1)
Net Change in Plan Fiduciary Net Position	8,029	12,661	18,522	20,340	4,787	16,047	13,165
Plan Fiduciary Net Position - Beginning	-	8,029	20,690	39,212	59,552	64,339	80,386
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,029</u>	<u>\$ 20,690</u>	<u>\$ 39,212</u>	<u>\$ 59,552</u>	<u>\$ 64,339</u>	<u>\$ 80,386</u>	<u>\$ 93,551</u>
Net Pension Asset - Ending (a) - (b)	\$ 13,490	\$ 16,190	\$ 15,552	\$ 11,224	\$ 18,246	\$ 6,359	\$ (6,492)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.31%	56.10%	71.60%	84.14%	77.91%	92.67%	107.46%
Covered Employee Payroll	108,634	149,610	205,675	216,633	222,650	233,534	276,236
Net Pension Asset as a Percentage of Covered Employee Payroll	12.42%	10.82%	7.56%	5.18%	8.19%	2.72%	-2.35%

CITY OF NEWARK, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2021

EXHIBIT B-3

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 4,720	\$ 6,679	\$ 7,263	\$ 6,328	\$ 7,640	\$ 7,556	\$ 6,845
Contribution in relation to the actuarially determined contribution	<u>4,720</u>	<u>6,679</u>	<u>7,263</u>	<u>6,328</u>	<u>7,640</u>	<u>7,556</u>	<u>6,845</u>
Contribution excess	<u>\$ -</u>						
Covered employee payroll	\$ 135,192	\$ 200,526	\$ 220,211	\$ 217,632	\$ 241,856	\$ 252,799	\$ 330,265
Contributions as a percentage of covered employee payroll	3.49%	3.33%	3.30%	2.91%	3.16%	2.99%	2.07%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF NEWARK, TEXAS

EXHIBIT B-4

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability				
Service cost	\$ 607	\$ 690	\$ 794	\$ 801
Interest	73	97	189	171
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	1,731	(1,089)	(2,142)
Changes of assumptions	278	(409)	1,227	872
Benefit payments	-	-	-	(28)
	<u>958</u>	<u>2,109</u>	<u>1,121</u>	<u>(326)</u>
Net Change in Total OPEB Liability				
	958	2,109	1,121	(326)
Total OPEB Liability - Beginning	<u>1,629</u>	<u>2,587</u>	<u>4,696</u>	<u>5,817</u>
Total OPEB Liability - Ending (a)	<u>\$ 2,587</u>	<u>\$ 4,696</u>	<u>\$ 5,817</u>	<u>\$ 5,491</u>
Covered Employee Payroll	\$ 216,633	\$ 222,650	\$ 233,534	\$ 276,236
Total OPEB Liability as a Percentage of Covered Employee Payroll	1.19%	2.11%	2.49%	1.99%

NOTES TO SCHEDULE:

Changes of assumptions.

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

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

Other Supplementary Information

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

CITY OF NEWARK, TEXAS

EXHIBIT C-1

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020	2019	2018
Resources (inflows):				
Tax revenues				
Property Taxes	\$ 374,100	\$ 368,851	\$ 340,905	\$ 323,265
Sales Taxes	127,216	102,505	75,090	70,125
Municipal Development District Sales Taxes	60,006	48,263	35,173	31,881
Franchise Fees	43,246	42,484	46,428	44,889
Total tax revenues	<u>604,568</u>	<u>562,103</u>	<u>497,596</u>	<u>470,160</u>
Municipal court fines & fees	<u>18,031</u>	<u>13,214</u>	<u>11,039</u>	<u>16,398</u>
Intergovernmental				
Library grants	<u>36,789</u>	<u>50,544</u>	<u>39,103</u>	<u>27,891</u>
Total intergovernmental	<u>36,789</u>	<u>50,544</u>	<u>39,103</u>	<u>27,891</u>
Charges for services				
Library Fees	106	598	219	1,157
Garbage Collection, net of expense	13,035	15,074	14,924	-
Total charges for services	<u>13,141</u>	<u>15,672</u>	<u>15,143</u>	<u>1,157</u>
License & permits				
Building Permits	23,541	17,895	23,332	15,952
Animal Registration	454	182	205	594
Total licenses & permits	<u>23,995</u>	<u>18,077</u>	<u>23,537</u>	<u>16,546</u>
Donations & grants				
Donations - Fire Department	3	321	60	49
Donations - Library	-	-	-	20
Covid-19 grant	-	-	-	-
Total donations & grants	<u>3</u>	<u>321</u>	<u>60</u>	<u>69</u>
Other revenues				
Cell Tower Rental	22,212	22,096	20,552	19,888
Conduit Loan Fees	30,000	12,000	30,000	62,481
Other Income	133	5,471	181	273
Gas Lease Income	1,835	1,189	2,084	2,134
Total other revenues	<u>54,180</u>	<u>40,756</u>	<u>52,817</u>	<u>84,776</u>
Investment income	85	1,423	1,898	1,155
Total resources	<u>750,792</u>	<u>702,110</u>	<u>641,193</u>	<u>618,152</u>
Charges to appropriations:				
Administration				
Salaries & Wages	133,427	55,176	49,496	98,423
Payroll Taxes	11,182	4,445	3,698	7,818
Retirement	2,904	1,686	1,451	2,858
Health Insurance	15,088	12,890	13,253	22,995
Audit Services	-	7,500	7,500	7,500
Legal Services	41,419	21,409	41,142	19,691
Tax Collection Fees	6,272	6,265	5,302	5,147
Building Inspection Fees	10,710	8,742	4,565	4,811

CITY OF NEWARK, TEXAS

EXHIBIT C-1

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020	2019	2018
Building Maintenance	2,858	4,874	2,995	6,540
Codification Services	395	2,333	2,200	1,795
Computer Expense	6,989	7,930	8,499	7,007
Community Center-Enhancement Project	-	-	-	38,145
Dues & Subscriptions	957	907	905	984
Election	2,871	2,197	-	1,963
Insurance	4,946	5,088	5,101	5,178
Office Supplies, Copier, Postage & Other Exp.	15,933	6,659	8,282	6,406
Public Notices	1,762	1,575	1,145	2,024
Telephone & Utilities	8,309	9,893	9,284	9,326
Travel & Training	-	396	324	2,180
Debt Service	23,409	23,130	23,832	23,514
Total administration	<u>289,431</u>	<u>183,095</u>	<u>188,974</u>	<u>274,305</u>
Public safety				
Animal Control	500	991	3,147	5,070
Police-Contract Labor	36,129	43,231	35,495	28,116
Insurance	2,129	2,350	2,479	2,876
Judge & Prosecutor	5,428	13,450	11,051	33,181
Salary & Wages-Municipal Court	1,500	21,850	21,818	20,857
Payroll Taxes-Municipal Court	-	1,658	1,565	1,473
Retirement-Municipal Court	-	647	645	194
Health Insurance-Municipal Court	438	5,761	5,597	4,376
Supplies & Software	7,797	9,451	8,078	5,021
Training	110	90	40	1,241
Code Enforcement	18,154	12,591	27,372	16,574
Total public safety	<u>72,185</u>	<u>112,070</u>	<u>117,287</u>	<u>118,979</u>
Fire department				
Fire Protection Services	10,000	8,000	8,000	8,000
Total fire department	<u>10,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Parks				
Supplies & Maintenance	27	3,470	392	219
Utilities	(40)	308	18,320	-
Total parks	<u>(13)</u>	<u>3,778</u>	<u>18,712</u>	<u>219</u>
Public works				
Salaries & Wages/Contract Labor	31,436	31,281	28,897	24,770
Payroll Taxes	2,447	2,486	2,255	1,621
Retirement	799	711	663	188
Health Insurance	6,029	8,429	7,427	4,296
Engineering	-	4,452	950	-
Insurance	11,247	3,845	3,910	-
Street Lights	14,162	13,572	10,602	14,856
Street Maintenance	7,393	5,416	3,446	838
Mowing	36,150	36,150	36,415	10,732
Equipment Maintenance	2,181	2,329	2,665	2,463
Total public works	<u>111,844</u>	<u>108,671</u>	<u>97,230</u>	<u>59,764</u>

CITY OF NEWARK, TEXAS

EXHIBIT C-1

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Library				
Salaries & Wages	11,467	34,308	29,558	26,742
Payroll Taxes	980	2,845	2,255	2,403
Retirement	313	969	986	-
Health Insurance	2,558	10,643	1,566	-
Books and Supplies	6,201	2,692	3,810	2,696
Supplies	1,501	2,750	5,009	3,575
Building Maintenance	632	1,329	300	1,297
Events	433	1,462	4,015	2,295
Telephone & Utilities	4,414	5,094	3,639	4,190
Security	366	406	371	319
Total library	<u>28,865</u>	<u>62,498</u>	<u>51,509</u>	<u>43,517</u>
Total appropriations	<u>512,312</u>	<u>478,112</u>	<u>481,712</u>	<u>504,784</u>
Excess of revenues over (under) expenditures before transfers and capital outlay	<u>238,480</u>	<u>223,998</u>	<u>159,481</u>	<u>113,368</u>
Capital outlay				
Administration	-	(1,200)	-	(5,439)
Municipal Court	-	-	-	(3,591)
Library	-	(1,200)	-	-
Parks	-	(5,625)	(29,802)	-
Police	-	(1,792)	-	-
Public Works	(40,822)	(46,800)	(47,642)	-
Total capital outlay	<u>(40,822)</u>	<u>(56,617)</u>	<u>(77,444)</u>	<u>(9,030)</u>
Other sources (uses)				
Gain on sale of assets	8,000	-	-	-
Transfer out	(21,497)	(116,195)	(21,457)	(21,920)
Total other sources (uses)	<u>(13,497)</u>	<u>(116,195)</u>	<u>(21,457)</u>	<u>(21,920)</u>
Excess of revenues over (under) expenditures	<u>\$ 184,161</u>	<u>\$ 51,186</u>	<u>\$ 60,580</u>	<u>\$ 82,418</u>

CITY OF NEWARK, TEXAS

EXHIBIT C-2

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	2021	2020	2019	2018
Revenues:				
Charges for services				
Water & Sewer	\$ 461,161	\$ 424,603	\$ 334,829	\$ 352,052
Garbage	-	-	-	95,347
Tap Fees	-	-	2,700	3,000
Late Charges	7,411	5,869	10,979	10,897
Reconnect Fees	4,787	2,917	4,372	7,224
Total operating revenues	<u>473,359</u>	<u>433,389</u>	<u>352,880</u>	<u>468,520</u>
Operating expenses:				
Personnel				
Salary & Wages	116,306	135,117	127,445	115,303
Health Insurance	12,506	24,603	27,319	25,019
Retirement	(322)	3,042	4,096	3,191
Payroll Taxes	9,971	10,603	9,483	9,242
Total personnel	<u>138,461</u>	<u>173,365</u>	<u>168,343</u>	<u>152,755</u>
Professional fees				
Engineering	503	-	950	840
Master Plan	-	-	30,000	-
Total professional fees	<u>503</u>	<u>-</u>	<u>30,950</u>	<u>840</u>
Supplies & contract services				
Electricity	36,599	33,908	33,861	31,921
Garbage Collection	-	-	-	79,729
Insurance	-	9,000	7,820	13,326
IT Software & Support	5,628	8,236	15,164	1,640
Lab Fees	21,387	18,946	20,691	18,416
Office Supplies	535	564	505	287
Other Expenses	1,881	1,882	1,911	1,410
Permits & Inspections	8,636	3,359	3,309	3,309
Postage	1,849	2,666	3,163	2,520
Supplies	5,799	7,051	5,317	12,359
Telephone	2,330	2,786	3,062	4,591
Training	1,295	1,046	-	699
Vehicle Expenses	12,428	5,808	10,247	8,383
Total supplies & contract services	<u>98,367</u>	<u>95,252</u>	<u>105,050</u>	<u>178,590</u>
Repairs & maintenance				
Lift Station Expense	4,021	20,278	-	-
Supplies & Equipment	4,007	2,946	4,559	3,693
Sewer System	22,384	28,084	19,186	17,413
Water System	66,970	32,233	25,518	17,508
Total repairs & maintenance	<u>97,382</u>	<u>83,541</u>	<u>49,263</u>	<u>38,614</u>
Total operating expenses before depreciation	<u>334,713</u>	<u>352,158</u>	<u>353,606</u>	<u>370,799</u>
Operating income (loss) before depreciation	<u>138,646</u>	<u>81,231</u>	<u>(726)</u>	<u>97,721</u>
Depreciation	<u>177,270</u>	<u>170,663</u>	<u>164,016</u>	<u>163,135</u>
Operating income (loss)	<u>(38,624)</u>	<u>(89,432)</u>	<u>(164,742)</u>	<u>(65,414)</u>

CITY OF NEWARK, TEXAS**EXHIBIT C-2****COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Non-operating revenues & (expenses):				
Investment Income	-	-	-	128
Interest Expense	<u>(18,723)</u>	<u>(19,997)</u>	<u>(19,748)</u>	<u>(20,336)</u>
Total non-operating revenues & (expenses)	<u>(18,723)</u>	<u>(19,997)</u>	<u>(19,748)</u>	<u>(20,208)</u>
Income (loss) before capital contributions & transfers	<u>(57,347)</u>	<u>(109,429)</u>	<u>(184,490)</u>	<u>(85,622)</u>
Capital contributions and transfers				
Capital Grants	288,210	281,975	30,375	-
Transfers from General Fund for Capital Improvem	-	95,000	-	-
Transfers from Debt Service Fund	<u>21,497</u>	<u>21,195</u>	<u>21,457</u>	<u>21,920</u>
Total capital contributions and transfers	<u>309,707</u>	<u>398,170</u>	<u>51,832</u>	<u>21,920</u>
Change in net position	<u>\$ 252,360</u>	<u>\$ 288,741</u>	<u>\$ (132,658)</u>	<u>\$ (63,702)</u>

Internal Control and Compliance



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

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 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Newark, Texas' basic financial statements, and have issued our report thereon dated May 16, 2024.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newark, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

May 16, 2024

**CITY OF NEWARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditor's Results - Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified that is not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

B. Financial Statement Finding:

None