

CITY OF NEWARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022



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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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Financial Section



MWH GROUP
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

Independent Auditor's Report on Financial Statements

City Council
City of Newark, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Newark, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Newark, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Newark, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Texas Municipal Retirement System Schedule of Changes in Total OPEB Liability and Related Ratios, on pages 5 through 12 and 40 through 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newark, Texas' basic financial statements. The accompanying comparative schedule of revenues and expenditures – general fund and comparative statement of revenues and expenses – water and sewer fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newark, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Newark, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

MWH Group, P.C.

MWH GROUP, P.C.

Wichita Falls, Texas
August 14, 2024

CITY OF NEWARK, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2022

MAYOR

Crystal Cardwell

MAYOR PRO TEM

Chris Raines

COUNCIL MEMBERS

Jennifer Hill

Nathanial Butler

Richard Sidebottom

Melanie Payne

CITY SECRETARY

Jenni Moore

ATTORNEY

Andy Messer

CITY OF NEWARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

As management of the City of Newark, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. 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, 2022, Government-wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$4,180,793 (net position), an increase of \$507,973 over the prior period.
- Of the total Government-wide net position, \$898,651 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 \$868,080. The unassigned General Fund balance is \$592,641 or 95% of General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 13) presents information on 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 14) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

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

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps 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 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$1,063,252	\$ 939,376	\$ 372,604	\$ 334,362	\$ 1,435,856	\$ 1,273,738
Net pension asset	11,027	3,652	3,637	2,840	14,664	6,492
Capital assets, net	414,384	413,240	3,148,993	2,961,454	3,563,377	3,374,694
Total assets	<u>1,488,663</u>	<u>1,356,268</u>	<u>3,525,234</u>	<u>3,298,656</u>	<u>5,013,897</u>	<u>4,654,924</u>
 Total deferred outflow of resources	 3,642	 4,321	 1,202	 3,359	 4,844	 7,680
Current liabilities	189,621	195,293	125,223	221,650	314,844	416,943
Long-term liabilities	104,000	122,000	399,754	433,220	503,754	555,220
Net pension & OPEB liabilities	4,825	3,089	1,591	2,402	6,416	5,491
Total liabilities	<u>298,446</u>	<u>320,382</u>	<u>526,568</u>	<u>657,272</u>	<u>825,014</u>	<u>977,654</u>
 Total deferred inflow of resources	 9,726	 6,824	 3,208	 5,306	 12,934	 12,130
 Net position:						
Net investment in capital assets	292,384	274,240	2,715,773	2,497,024	3,008,157	2,771,264
Restricted	273,985	201,496	-	-	273,985	201,496
Unrestricted	617,764	557,647	280,887	142,413	898,651	700,060
Total net position	<u>\$1,184,133</u>	<u>\$ 1,033,383</u>	<u>\$ 2,996,660</u>	<u>\$ 2,639,437</u>	<u>\$ 4,180,793</u>	<u>\$ 3,672,820</u>

At September 30, 2022, the City had total assets of \$5,013,897 which included capital assets of \$3,563,377. These capital assets represent 71% of the City's total assets. The City uses these capital assets to provide services to the City's citizens; consequently, these assets are not available for future spending. The City's total liabilities decreased \$152,640 or 16% due to the decrease in accounts payable at year end related to construction in progress projects.

The City's net position (assets plus deferred outflows less liabilities and deferred inflows) increased \$507,973 a 14% increase in net position during the fiscal year. Restricted net position is \$273,985 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$898,651 or 21% 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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Fees, fines, & charges for services	\$ 225,820	\$ 109,347	\$ 514,761	\$ 473,359	\$ 740,581	\$ 582,706
Operating grants & contributions	42,763	36,792	-	-	42,763	36,792
Capital grants & contributions	-	-	284,615	288,210	284,615	288,210
General revenues:						
Property taxes	389,976	371,132	-	-	389,976	371,132
Sales taxes	231,430	187,222	-	-	231,430	187,222
Franchise fees	47,536	43,246	-	-	47,536	43,246
Gain on sale of assets	-	8,000	-	-	-	8,000
Investment earnings	825	85	-	-	825	85
Total revenues	938,350	755,824	799,376	761,569	1,737,726	1,517,393
Expenses						
General government	406,870	268,352	-	-	406,870	268,352
Public safety	106,556	83,376	-	-	106,556	83,376
Cultural & recreation	13,215	40,758	-	-	13,215	40,758
Public works	132,640	130,152	-	-	132,640	130,152
Interest on long-term debt	6,417	7,175	16,518	18,723	22,935	25,898
Water & Sewer	-	-	547,537	511,983	547,537	511,983
Total expenses	665,698	529,813	564,055	530,706	1,229,753	1,060,519
Transfers	(121,902)	(21,497)	121,902	21,497	-	-
Change in net position	\$ 150,750	\$ 204,514	\$ 357,223	\$ 252,360	\$ 507,973	\$ 456,874

Fiscal year 2022 governmental activities revenues (before transfers) increased \$182,526 or 24% over 2021 governmental activities revenues. Fees, fines, and charges for services revenues increased \$116,473 or 107% from 2021 primarily due to an increase in building permits and conduit loan fees revenue. In fiscal year 2022 the City received no library grant revenue compared to \$36,789 in 2021 and spent \$42,763 in American Rescue Plan Act grant funds for the first time in 2022. Sales tax revenues increased \$44,208 or 24% 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 increased \$740 or 871% in 2022 as the City's reserve cash balance increased.

The City continued to closely monitor its governmental operating expenses during the fiscal year. Total governmental operating expenses increased \$135,885 or 26% from 2021 to 2022. General government expenses increased \$138,518 or 52% primarily due to an increase in building inspector fees in 2022. Culture and recreation expenses decreased \$27,543 or 68% due to the impacts of COVID-19 resulting in the closure of the library in 2022.

Fiscal year 2022 business-type activities revenues increased \$37,807 or 5% from 2021 to 2022 primarily due to an increase in water and sewer revenues of \$31,534 or 7%. Business-type activities expenses increased \$33,349 or 6% from 2021 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 \$868,080, which is an increase of \$124,324 or 17% from the prior year. The components of the governmental fund balances are as follows:

	As of September 30,	
	2022	2021
Non-spendable prepaid expenses	\$ 1,454	\$ 2,022
Restricted		
Debt Service	23,490	26,173
Municipal Development	250,495	175,323
Total restricted	273,985	201,496
Unassigned		
Total fund balance	\$ 868,080	\$ 743,756

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 \$280,887 and the net position of the water and sewer fund increased \$357,223 or 14% 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 \$203,294 and increasing expenditures in the amount of \$47,133. The amended budget resulted in a budget deficiency of \$14,505. Actual revenues were less than budgeted revenues by \$111,160 and actual expenditures were less than budgeted expenditures by \$177,500.

A general fund budget - actual summary for 2022 is as follows:

	Amended Budget	Actual	Variance
Revenues			
Taxes	\$ 536,174	\$ 542,082	\$ 5,908
Municipal court fines & fees	5,898	5,931	33
Licenses & permits	121,642	121,642	-
Charges for services	27,413	19,769	(7,644)
Grants & donations	153,249	42,763	(110,486)
Other revenues	78,274	78,478	204
Investment income	-	825	825
Total revenues	\$ 922,650	\$ 811,490	\$ (111,160)

General fund budget – actual summary continued:

	Amended Budget	Actual	Variance
Expenditures			
Administration	\$ 516,540	\$ 403,160	\$ 113,380
Public safety	94,701	94,917	(216)
Fire department	10,000	10,000	-
Parks	693	693	-
Public works	276,041	114,696	161,345
Capital outlay	39,180	39,180	-
Transfers	-	97,009	(97,009)
Total expenditures	<u>937,155</u>	<u>759,655</u>	<u>177,500</u>
Excess of revenues over (under) expenditures	<u>\$ (14,505)</u>	<u>\$ 51,835</u>	<u>\$ 66,340</u>

During the fiscal year, the City transferred \$97,009 to the water and sewer fund for grant expenses related to wastewater system improvements. 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, 2022, of \$14,664 which is 5.33% of the City's annual covered payroll of \$275,188. The City's net pension asset increased \$8,172 from September 30, 2021, to September 30, 2022.

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, 2022, was \$6,416, an increase of \$925 from September 30, 2021.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2022, amounts to \$3,563,377 (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 2022 include City Hall building improvements of \$39,180, hydrovac of \$28,477, dump truck of \$21,000, and pumps of \$17,149. Additionally, the construction in process projects for SCADA, standpipes, and wastewater treatment improvements were completed and \$721,987 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 71,549	\$ 71,549	\$ 4,400	\$ 4,400	\$ 75,949	\$ 75,949
Construction in process	-	-	-	407,007	-	407,007
Buildings & improvements	92,255	66,035	23,058	23,978	115,313	90,013
Equipment	21,794	26,487	104,921	34,402	126,715	60,889
Parks	24,053	27,596	-	-	24,053	27,596
Streets & drainage	204,733	221,573	-	-	204,733	221,573
Waterworks & Sewer system	-	-	3,016,614	2,491,667	3,016,614	2,491,667
Totals	<u>\$ 414,384</u>	<u>\$ 413,240</u>	<u>\$ 3,148,993</u>	<u>\$ 2,961,454</u>	<u>\$ 3,563,377</u>	<u>\$ 3,374,694</u>

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, 2022. Outstanding long-term debts are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Financed purchase	\$ -	\$ -	\$ 17,220	\$ 22,430	\$ 17,220	\$ 22,430
Certificates of obligation	122,000	139,000	416,000	442,000	538,000	581,000
Total long-term debt	<u>\$ 122,000</u>	<u>\$ 139,000</u>	<u>\$ 433,220</u>	<u>\$ 464,430</u>	<u>\$ 555,220</u>	<u>\$ 603,430</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenues for fiscal year 2023 are \$808,730 a \$113,920 decrease from final 2022 budgeted revenues. The tax rate applied in the 2023 budget is \$0.448056 cents per \$100 of valuation, a decrease of \$0.067611 cents per \$100 of valuation from the 2022 tax rate.

Budgeted general fund expenditures for fiscal year 2023 are \$1,044,805 and included \$158,080 for administrative wages, \$65,000 for police contract services, and \$189,280 for public works wages. For the fiscal year 2023 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 \$236,075 in the general fund for fiscal year 2023.

Water and sewer fund 2023 budgeted revenues are \$516,000 an increase of \$1,239 over the fiscal year 2022 actual operating revenues. Budgeted water and sewer fund expenditures total \$279,925 and include \$22,000 for debt service payments and \$66,000 for water and sewer system expenses. There is a net budget surplus of \$236,075 in the water sewer fund for fiscal year 2023.

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, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & equivalents	\$ 719,544	\$ 257,604	\$ 977,148
Accounts receivable (net of allowances)	81,880	38,185	120,065
Prepaid expenses	1,454	1,314	2,768
Restricted cash & equivalents	260,374	75,501	335,875
Net pension asset	11,027	3,637	14,664
Capital assets:			
Land	71,549	4,400	75,949
Buildings & improvements	283,573	41,912	325,485
Equipment	187,131	352,910	540,041
Infrastructure	304,943	5,550,162	5,855,105
Less - accumulated depreciation	<u>(432,812)</u>	<u>(2,800,391)</u>	<u>(3,233,203)</u>
Total assets	<u>1,488,663</u>	<u>3,525,234</u>	<u>5,013,897</u>
Deferred Outflows of Resources			
Pension related	2,382	786	3,168
OPEB related	1,260	416	1,676
Total deferred outflows of resources	<u>3,642</u>	<u>1,202</u>	<u>4,844</u>
Liabilities			
Accounts payable	9,411	3,330	12,741
Accrued liabilities	5,596	9,987	15,583
Accrued compensated absences	3,676	2,939	6,615
Customer deposits	-	75,501	75,501
Unearned revenues	152,938	-	152,938
OPEB liability	4,825	1,591	6,416
Long-term debt-due within one year	18,000	33,466	51,466
Long-term debt-due in more than one year	104,000	399,754	503,754
Total liabilities	<u>298,446</u>	<u>526,568</u>	<u>825,014</u>
Deferred Inflows of Resources			
Pension related	8,814	2,907	11,721
OPEB related	912	301	1,213
Total deferred inflows of resources	<u>9,726</u>	<u>3,208</u>	<u>12,934</u>
Net Position			
Net investment in capital assets, net of related debt	292,384	2,715,773	3,008,157
Restricted for:			
Debt service	23,490	-	23,490
Special revenues	250,495	-	250,495
Unrestricted	617,764	280,887	898,651
Total net position	<u>\$ 1,184,133</u>	<u>\$ 2,996,660</u>	<u>\$ 4,180,793</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	\$ (406,870)	\$ 219,889	\$ 42,763	\$ -	\$ (144,218)	\$ -	\$ (144,218)
Public safety	(106,556)	5,931	-	-	(100,625)	-	(100,625)
Culture & recreation	(13,215)	-	-	-	(13,215)	-	(13,215)
Public works	(132,640)	-	-	-	(132,640)	-	(132,640)
Interest on long-term debt	(6,417)	-	-	-	(6,417)	-	(6,417)
Total governmental activities	<u>(665,698)</u>	<u>225,820</u>	<u>42,763</u>	<u>-</u>	<u>(397,115)</u>	<u>-</u>	<u>(397,115)</u>
Business-type activities:							
Water & sewer	(564,055)	514,761	-	284,615	-	235,321	235,321
Total Business-type activities	<u>(564,055)</u>	<u>514,761</u>	<u>-</u>	<u>284,615</u>	<u>-</u>	<u>235,321</u>	<u>235,321</u>
Total primary government	<u>\$ (1,229,753)</u>	<u>\$ 740,581</u>	<u>\$ 42,763</u>	<u>\$ 284,615</u>	<u>(397,115)</u>	<u>235,321</u>	<u>(161,794)</u>
General revenues:							
Property taxes					389,976	-	389,976
Sales taxes					231,430	-	231,430
Franchise fees					47,536	-	47,536
Interest income					825	-	825
Transfers					(121,902)	121,902	-
Total general revenues and transfers					<u>547,865</u>	<u>121,902</u>	<u>669,767</u>
Change in net position					<u>150,750</u>	<u>357,223</u>	<u>507,973</u>
Net position, beginning					<u>1,033,383</u>	<u>2,639,437</u>	<u>3,672,820</u>
Net position, ending					<u>\$ 1,184,133</u>	<u>\$ 2,996,660</u>	<u>\$ 4,180,793</u>

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Municipal Development Fund	Total Governmental Funds
Assets:				
Cash & cash equivalents	\$ 719,544	\$ 23,490	\$ 236,884	\$ 979,918
Receivables:				
Property taxes	25,488	3,440	-	28,928
Sales taxes	27,934	-	13,611	41,545
Franchise fees	1,638	-	-	1,638
Garbage	9,769	-	-	9,769
Prepaid expenses	1,454	-	-	1,454
Total assets	\$ 785,827	\$ 26,930	\$ 250,495	\$ 1,063,252
Liabilities:				
Accounts payable	\$ 9,411	\$ -	\$ -	\$ 9,411
Accrued liabilities	3,895	-	-	3,895
Total liabilities	13,306	-	-	13,306
Deferred inflows of resources:				
Unavailable revenue-property taxes	25,488	3,440	-	28,928
Unavailable revenue-grants	152,938	-	-	152,938
	<u>178,426</u>	<u>3,440</u>	<u>-</u>	<u>181,866</u>
Fund balances:				
Non-spendable prepaid expenses	\$ 1,454	\$ -	\$ -	\$ 1,454
Restricted:				
Debt Service	-	23,490	-	23,490
Municipal development	-	-	250,495	250,495
Unassigned	592,641	-	-	592,641
Total fund balances	594,095	23,490	250,495	868,080
Total liabilities and fund balances	\$ 785,827	\$ 26,930	\$ 250,495	\$ 1,063,252

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, 2022*

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 868,080

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	\$ 847,196	
Less accumulated depreciation	<u>(432,812)</u>	414,384

Property taxes and municipal court receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		28,928
--	--	--------

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	11,027	
Deferred outflows of resources from pensions	2,382	
Deferred inflows of resources from pensions	<u>(8,814)</u>	4,595

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	(4,825)	
Deferred outflows of resources from OPEB	1,260	
Deferred inflows of resources from OPEB	<u>(912)</u>	(4,477)

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	(122,000)	
Accrued interest	(1,701)	
Compensated absences	<u>(3,676)</u>	(127,377)

Net position of governmental activities - statement of net position \$ 1,184,133

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, 2022

	General Fund	Debt Service Fund	Municipal Development District	Total Governmental Funds
Revenues:				
Property taxes	\$ 338,288	\$ 45,865	\$ -	\$ 384,153
Sales taxes	156,258	-	75,172	231,430
Franchise fees	47,536	-	-	47,536
Charges for services	19,769	-	-	19,769
Municipal court	5,931	-	-	5,931
Licenses & permits	121,642	-	-	121,642
Donation & grant revenues	42,763	-	-	42,763
Other revenues	28,478	-	-	28,478
Conduit loan fees	50,000	-	-	50,000
Interest income	825	-	-	825
Total revenues	<u>811,490</u>	<u>45,865</u>	<u>75,172</u>	<u>932,527</u>
Expenditures:				
General government	403,160	-	-	403,160
Public safety	104,917	-	-	104,917
Culture & recreation	693	-	-	693
Public works	114,696	-	-	114,696
Debt service-principle	-	17,000	-	17,000
Debt service-interest	-	6,655	-	6,655
Capital outlay	39,180	-	-	39,180
Total expenditures	<u>662,646</u>	<u>23,655</u>	<u>-</u>	<u>686,301</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>148,844</u>	<u>22,210</u>	<u>75,172</u>	<u>246,226</u>
Other financing sources (uses):				
Transfers	(97,009)	(24,893)	-	(121,902)
Total other financing sources (uses)	<u>(97,009)</u>	<u>(24,893)</u>	<u>-</u>	<u>(121,902)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,835</u>	<u>(2,683)</u>	<u>75,172</u>	<u>124,324</u>
Fund balance, beginning of the year	<u>542,260</u>	<u>26,173</u>	<u>175,323</u>	<u>743,756</u>
Fund balance, ending	<u>\$ 594,095</u>	<u>\$ 23,490</u>	<u>\$ 250,495</u>	<u>\$ 868,080</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, 2022*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 124,324

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	\$ 39,180	
Depreciation expense during the year	<u>(38,036)</u>	1,144

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: 5,824

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. 17,000

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	237	
Compensated absences	163	
Pension liability	3,595	
OPEB liability	<u>(1,537)</u>	2,458

Change in net position of governmental activities - statement of activities \$ 150,750

The accompanying notes are an integral part of this statement.

CITY OF NEWARK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Water & Sewer Fund
Assets	
Current assets:	
Cash & cash equivalents	\$ 257,604
Accounts receivable (net)	38,185
Prepaid expenses	1,314
Total current assets	<u>297,103</u>
Non-current assets:	
Restricted cash	75,501
Net pension asset	3,637
Total non-current assets	<u>79,138</u>
Capital assets:	
Land	4,400
Buildings	41,912
Equipment	352,910
Distribution & collection system	5,550,162
	<u>5,949,384</u>
Less: accumulated depreciation	(2,800,391)
Net capital assets	<u>3,148,993</u>
Total assets	<u>\$ 3,525,234</u>
Deferred Outflows of Resources	
Pension related	\$ 786
OPEB related	416
Total deferred outflows of resources	<u>\$ 1,202</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 3,330
Accrued expenses	9,987
Accrued compensated absences	2,939
Customer deposit liability	75,501
Financed purchases-due in one year	5,466
2013 certificates of obligation-due in one year	28,000
Total current liabilities	<u>125,223</u>
Noncurrent liabilities:	
OPEB liability	1,591
Financed purchases	11,754
2013 certificates of obligation	388,000
Total non-current liabilities	<u>401,345</u>
Total liabilities	<u>\$ 526,568</u>
Deferred Inflows of Resources	
Pension related	\$ 2,907
OPEB related	301
Total deferred inflows of resources	<u>\$ 3,208</u>
Net Position	
Net investment in capital assets, net of related debt	\$ 2,715,773
Unrestricted	280,887
Total net position	<u>\$ 2,996,660</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, 2022

	Water and Sewer Fund
Operating revenues:	
Water and sewer services	\$ 493,221
Late charges	16,600
Reconnect fees	4,940
Total operating revenues	<u>514,761</u>
Operating expenses:	
Personnel	137,124
Insurance	10,200
Contract service	89,285
Supplies and repairs	48,471
Vehicle expense	13,086
Utilities	55,304
Depreciation	194,067
Total operating expenses	<u>547,537</u>
Operating income (loss)	<u>(32,776)</u>
Non-operating revenues (expenses):	
Debt interest expense	(16,518)
Grant revenue	284,615
Transfers	121,902
Total non-operating revenues (expenses)	<u>389,999</u>
Change in net position	357,223
Net position, beginning of year	2,639,437
Net position, end of year	<u>\$ 2,996,660</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, 2022

	<u>Totals</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 620,902
Cash payments to employees for services	(148,084)
Cash payments to other suppliers for goods and services	<u>(308,871)</u>
Net cash provided by operating activities	<u>163,947</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	<u>121,902</u>
Net cash received by non-capital financing activities	<u>121,902</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid	(31,210)
Interest paid	(16,518)
Grants received for capital outlay	284,615
Acquisition or construction of capital assets	<u>(381,606)</u>
Net cash used by capital and related financing activities	<u>(144,719)</u>
Cash Flows from Investing Activities:	
Interest on investments	-
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	141,130
Cash and cash equivalents at beginning of year	191,975
Cash and cash equivalents at end of period	<u>\$ 333,105</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	<u>\$ (32,776)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	194,067
(Increase) decrease in assets and deferred outflows of resources:	
Receivables	102,977
Prepays	(89)
Net pension asset	(797)
Deferred outflows of resources	2,157
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable and other accrued liabilities	(102,636)
Deposit payable	3,164
Compensated absences	789
OPEB liability	(811)
Deferred intflows of resources	<u>(2,098)</u>
Total adjustments	196,723
Net cash provided by operating activities	<u>\$ 163,947</u>

The accompanying notes are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are discussed below:

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Newark (the primary government). The City has three component units (separately administered organizations that are controlled or dependent on the City); the Newark Cultural Educational Facilities Finance Corporation (NCEFFC), the Newark Higher Education Finance Corporation (NHEFC) and the Newark Municipal Development District (MDD).

NCEFFC was created in April 2008 primarily for the purpose of providing funds to borrowers to enable such borrowers to acquire, construct, renovate or otherwise improve facilities. NCEFFC does not have any assets or liabilities. See Note 6 related to conduit debt.

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

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022

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

3. Prepaid Expenses:

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

4. Capital Assets:

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

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

5. Interfund Receivable and Payables:

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

6. Transfers Between Funds:

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

7. Compensated Absences:

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

8. Deferred Outflows of Resources:

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

The deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. The deferred outflows related to expected and actual experience will be amortized to pension expense over a period of 6.14 years; the deferred outflows related to projected and actual earnings will be amortized to pension expense over a period of 5 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, 2022

9. Deferred Inflows of Resources:

The City's statement of government-wide net position reports a separate section for deferred inflows of revenues. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows reported in this year's financial statements include deferred inflows of resources related to differences in pension and OPEB assumption changes. The deferred inflows related to assumption changes will be amortized to pension expense over a period of 6.14 years. No deferred inflows of resources affect the governmental funds financial statements in the current year.

10. Pensions:

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

11. Equity Classifications:

Government-wide Statements

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

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

Fund Statements

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

12. Bad Debts:

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, expenditures exceeded appropriations in the Police Department.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE 2. DEPOSITS

At September 30, 2022, the carrying amount of the City's cash accounts was \$1,313,023, made up of petty cash of \$600 and \$1,312,423 held in checking accounts a local financial institution. The City did not own any investments at September 30, 2022.

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, 2022, the City's bank balances (per bank) totaled \$1,333,847. 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, 2022. Securities pledged by the City depository institution consists of the following:

SECURITY	PAR	FMV
FHLMC 4153 KG	\$1,151,872	\$1,033,782
Rapid City SD	\$ 970,000	\$ 808,156
Grandview TX ISD bond	\$ 265,000	\$ 249,201

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, 2022

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022, 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	71,549	-	-	71,549
Capital assets being depreciated:				
Buildings and improvements	244,393	39,180	-	283,573
Equipment	151,704	-	-	151,704
Parks	35,427	-	-	35,427
Infrastructure	304,943	-	-	304,943
Total capital assets being depreciated	736,467	39,180	-	775,647
Less accumulated depreciation				
Buildings and improvements	178,358	12,960	-	191,318
Equipment	125,217	4,693	-	129,910
Parks	7,831	3,543	-	11,374
Infrastructure	83,370	16,840	-	100,210
Total accumulated depreciation	394,776	38,036	-	432,812
Total capital assets being depreciated, net	341,691	1,144	-	342,835
Total capital assets, net	\$ 413,240	\$ 1,144	\$ -	\$ 414,384
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,400	\$ -	\$ -	\$ 4,400
Construction in Progress	407,007	314,980	(721,987)	-
Total capital assets not being depreciated	411,407	314,980	(721,987)	4,400
Capital assets being depreciated:				
Buildings and improvements	41,912	-	-	41,912
Equipment	260,200	66,626	26,084	352,910
Waterworks and sanitary sewer system	4,854,259	-	695,903	5,550,162
Total capital assets being depreciated	5,156,371	66,626	721,987	5,944,984
Less accumulated depreciation				
Buildings and improvements	17,934	920	-	18,854
Equipment	225,798	22,191	-	247,989
Waterworks and sanitary sewer system	2,362,592	170,956	-	2,533,548
Total accumulated depreciation	2,606,324	194,067	-	2,800,391
Total capital assets being depreciated, net	2,550,047	(127,441)	721,987	3,144,593
Total capital assets, net	\$ 2,961,454	\$ 187,539	\$ -	\$ 3,148,993

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Depreciation expense was charged to Governmental Activities as follows:

Administration	\$ 5,382
Public safety	1,639
Library	8,979
Parks	3,543
Public Works	18,493
Total depreciation expense	<u>\$ 38,036</u>

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

Water & Sewer	\$ 194,067
Total depreciation expense	<u>\$ 194,067</u>

NOTE 5: INTERFUND TRANSFERS

During the fiscal year, the debt service fund transferred \$21,496 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. The general fund transferred \$100,406 to the water and sewer fund for grant related projects and for creating a garbage receivable account in the general fund.

NOTE 6: CONDUIT DEBT

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

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

NOTE 7: LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended September 30, 2022.

	Beginning Balances	New Debt	Repayments	Ending Balance	Current Portion
Governmental activities:					
2008 Tax & revenue certificates of obligation	\$ 139,000	\$ -	\$ 17,000	\$ 122,000	\$ 18,000
Total governmental activities	<u>\$ 139,000</u>	<u>\$ -</u>	<u>\$ 17,000</u>	<u>\$ 122,000</u>	<u>\$ 18,000</u>
Business-type activities:					
2013 Certificates of obligation	\$ 442,000	\$ -	\$ 26,000	\$ 416,000	\$ 28,000
Financed purchases	22,430	-	5,210	17,220	5,466
Total business-type activities	<u>\$ 464,430</u>	<u>\$ -</u>	<u>\$ 31,210</u>	<u>\$ 433,220</u>	<u>\$ 33,466</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	21,000	2,103	23,103
2028-2032	23,000	1,099	24,099
Total	<u>\$ 122,000</u>	<u>\$ 21,175</u>	<u>\$ 143,175</u>

Business-type activities:

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

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

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

Certificates of obligation:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	32,000	11,195	43,195
2028-2032	182,000	35,254	217,254
2033-2037	84,000	3,375	87,375
Total	<u>\$ 416,000</u>	<u>\$ 106,714</u>	<u>\$ 522,714</u>

Financed purchases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,466	\$ 2,736	\$ 8,202
2024	5,736	1,450	7,186
2025	6,018	433	6,451
Total	<u>\$ 17,220</u>	<u>\$ 4,619</u>	<u>\$ 21,839</u>

NOTE 8: RETIREMENT PLAN

A. Plan Description

The City of Newark, Texas participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

B. Benefits provided

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

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

The City has adopted the following plan provisions:

	Plan year 2020	Plan year 2021
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	5
Total	<u>11</u>

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Employees of the City of Newark, Texas were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City were 1.25% and 2.33% for the calendar years 2022 and 2021, respectively. The city's contributions to TMRS for the fiscal year ended September 30, 2021, were \$6,192, and were equal to the required contributions.

D. Net Pension Liability or Assets

The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2021, 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.

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

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

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Other Public and Private Markets	12%	7.22%
Real Estate	12%	6.85%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
Total	100%	

Discount Rate:

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

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 87,059	\$ 93,551	\$ (6,492)
Service Cost	17,227	-	17,227
Interest	6,259	-	6,259
Differences between expected and actual results	511	-	511
Change in assumptions	-	-	-
Contributions - employer	-	6,192	(6,192)
Contributions - employee	-	13,759	(13,759)
Net investment income	-	12,273	(12,273)
Benefit Payments, including refunds of employee contributions	(5,885)	(5,885)	-
Administrative expense	-	(56)	56
Other	-	1	(1)
Net Changes	18,112	26,284	(8,172)
Balance at December 31, 2021	\$ 105,171	\$ 119,835	\$ (14,664)

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, 2022

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>\$ 4,460</u>	<u>\$ (14,664)</u>	<u>\$ (30,137)</u>

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2022, the city recognized pension income of \$592. This pension income is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2022, 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	\$ -	\$ (6,301)	\$ (6,301)
Differences between expected and actual economic experience	-	(5,420)	(5,420)
Difference in assumption changes To be recognized in the future	<u>910</u>	<u>-</u>	<u>910</u>
	910	(11,721)	<u>\$ (10,811)</u>
Contributions subsequent to the measurement date	<u>2,258</u>	<u>-</u>	
Total	<u>\$ 3,168</u>	<u>\$ (11,721)</u>	

The \$2,258 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Year Ending December 31,		
2022	\$	(3,498)
2023		(4,659)
2024		(1,655)
2025		(1,090)
2026		84
Thereafter		7
	\$	<u>(10,811)</u>

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

A. Benefit Plan Description

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

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

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

At the December 31, 2021, valuation and measurement date, the following number of employees were covered by the SDBF benefit plan:

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

B. Total OPEB Liability

The City’s Total OPEB Liability was measured as of December 31, 2021, and the Total OPEB Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate*	1.84%
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, 2021.

The actuarial assumptions used in the December 31, 2021, 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, 2020	\$	5,491
Changes for the year		
Service Cost		523
Interest On Total OPEB Liability		115
Changes of benefit terms		-
Differences between expected and actual results		71
Changes in assumptions or other inputs		271
Benefit Payments *		(55)
Net Changes		<u>925</u>
Balance at December 31, 2021	\$	<u>6,416</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, 2022

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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	\$ 8,144	\$ 6,416	\$ 5,056

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$689.

At September 30, 2022, 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	\$ -	\$ (1,213)	\$ (1,213)
Difference in assumption changes	1,601	-	1,601
To be recognized in the future	1,601	(1,213)	<u>\$ 388</u>
Contributions subsequent to the measurement date	75	-	
Total	<u>\$ 1,676</u>	<u>\$ (1,213)</u>	

The \$75 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	
2022	\$ 51
2023	51
2024	51
2025	51
2026	51
Thereafter	133
	<u>\$ 388</u>

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, through the date the financial statement were available to be issued. During this period there was one item noted to be disclosed. The City issued a public finance contract during the fiscal year ended September 30, 2023 for the acquisition of a vehicle.

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Resources (inflows):				
Tax revenues				
Property taxes	\$ 330,218	\$ 338,288	\$ 338,288	\$ -
Sales taxes	120,000	151,079	156,258	5,179
Franchise fees	40,000	46,807	47,536	729
Total tax revenues	490,218	536,174	542,082	5,908
Municipal court fines & fees	10,400	5,898	5,931	33
Charges for services				
Garbage collection, net of expense	27,810	27,413	19,769	(7,644)
Total charges for services	27,810	27,413	19,769	(7,644)
License & permits				
Building permits	15,000	121,179	121,179	-
Animal registration	-	463	463	-
Total licenses & permits	15,000	121,642	121,642	-
Donations & grants				
Covid-19 grant	152,636	153,249	42,763	(110,486)
Total donations & grants	152,636	153,249	42,763	(110,486)
Other revenues				
Cell tower rental	23,291	23,579	23,578	(1)
Conduit loan fees	-	50,000	50,000	-
Other income	-	196	401	205
Gas lease income	-	4,499	4,499	-
Total other revenues	23,291	78,274	78,478	204
Investment income	-	-	825	825
Total resources (inflows)	719,355	922,650	811,490	(111,160)
Charges to appropriations:				
Administration				
Salaries & wages	132,870	121,000	123,496	(2,496)
Payroll taxes	12,663	11,500	9,466	2,034
Retirement	1,661	3,124	4,261	(1,137)
Health insurance	15,868	14,000	11,415	2,585
Audit services	7,500	-	-	-
Legal services	50,000	41,000	40,778	222
Tax collection fees	6,500	6,400	6,838	(438)
Building inspection fees	8,500	113,000	112,832	168
Building maintenance	5,000	48,000	47,136	864
Codification services	4,000	1,800	1,742	58
Computer expense	7,650	7,000	6,140	860

CITY OF NEWARK, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Dues & subscriptions	1,200	1,010	1,007	3
Election	9,000	2,000	1,838	162
Insurance	5,793	5,800	5,750	50
Supplies, Copier, Postage & Other	14,137	13,950	13,798	152
Public notices	2,000	700	689	11
Telephone & utilities	11,350	12,800	12,693	107
Travel & Training	1,500	-	-	-
Grant projects	113,456	113,456	3,281	110,175
Total administration	<u>410,648</u>	<u>516,540</u>	<u>403,160</u>	<u>113,380</u>
Public safety				
Animal control	1,000	460	460	-
Contract labor - police	50,000	48,000	48,248	(248)
Insurance	2,693	1,951	1,951	-
Judge & Prosecutor	10,000	1,300	1,292	8
Salary & wages - municipal court	1,500	1,350	1,350	-
Health insurance - municipal court	-	-	-	-
Supplies & software	14,100	11,900	11,841	59
Training	700	700	681	19
Code enforcement	46,440	29,040	29,094	(54)
Total public safety	<u>126,433</u>	<u>94,701</u>	<u>94,917</u>	<u>(216)</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	500	500	-
Utilities	500	193	193	-
Total parks	<u>3,500</u>	<u>693</u>	<u>693</u>	<u>-</u>
Public works				
Salaries & wages	159,161	157,900	31,598	126,302
Payroll taxes	15,169	15,000	4,586	10,414
Retirement	1,990	10,000	1,553	8,447
Health insurance	15,496	20,111	3,909	16,202
Engineering	5,000	-	-	-
Insurance	12,355	11,350	11,346	4
Street lights	15,090	16,550	16,627	(77)
Street maintenance	11,000	4,970	4,918	52
Mowing	38,000	38,000	38,000	-
Equipment maintenance	2,000	2,160	2,159	1
Total public works	<u>275,261</u>	<u>276,041</u>	<u>114,696</u>	<u>161,345</u>
Total appropriations	<u>825,842</u>	<u>897,975</u>	<u>623,466</u>	<u>274,509</u>

CITY OF NEWARK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over (under) expenditures before other financing sources and capital outlay	<u>(106,487)</u>	<u>24,675</u>	<u>188,024</u>	<u>163,349</u>
Capital outlay				
Administration	(39,180)	(39,180)	(39,180)	-
Public Works	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>(64,180)</u>	<u>(39,180)</u>	<u>(39,180)</u>	<u>-</u>
Other financing sources				
Transfers	<u>-</u>	<u>-</u>	<u>(97,009)</u>	<u>(97,009)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(97,009)</u>	<u>(97,009)</u>
Excess of revenues over (under) expenditures	<u>\$ (170,667)</u>	<u>\$ (14,505)</u>	51,835	<u>\$ 66,340</u>
Fund balance, beginning			<u>542,260</u>	
Fund balance, ending			<u>\$ 594,095</u>	

CITY OF NEWARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022.

CITY OF NEWARK, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2021

EXHIBIT B-2

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Pension Liability								
Service cost	\$ 7,192	\$ 9,904	\$ 14,171	\$ 14,688	\$ 15,808	\$ 15,693	\$ 18,535	\$ 17,227
Interest (on the Total Pension Liability)	1,192	1,853	2,968	4,099	4,955	5,667	5,978	6,259
Changes of benefit terms	13,737	-	-	-	-	-	-	-
Difference between expected and actual experience	-	1,451	745	(6)	1,593	(4,784)	(9,302)	511
Change of assumptions	-	2,153	-	-	-	530	-	-
Benefit payments, including refunds of employee contributions	(602)	-	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)
Net Change in Total Pension Liability	21,519	15,361	17,884	16,012	11,809	4,160	314	18,112
Total Pension Liability - Beginning	-	21,519	36,880	54,764	70,776	82,585	86,745	87,059
Total Pension Liability - Ending (a)	\$ 21,519	\$ 36,880	\$ 54,764	\$ 70,776	\$ 82,585	\$ 86,745	\$ 87,059	\$ 105,171
Plan Fiduciary Net Position								
Contributions - Employer	\$ 3,199	\$ 5,177	\$ 6,975	\$ 6,846	\$ 6,034	\$ 7,356	\$ 8,149	\$ 6,192
Contributions - Employee	5,432	7,481	10,158	10,832	11,133	11,677	13,812	13,759
Net investment income	-	12	1,406	5,461	(1,795)	10,017	6,141	12,273
Benefit payments, including refunds of employee contributions	(602)	-	-	(2,769)	(10,547)	(12,946)	(14,897)	(5,885)
Administrative expenses	-	(9)	(16)	(28)	(34)	(56)	(39)	(56)
Other	-	-	(1)	(2)	(4)	(1)	(1)	1
Net Change in Plan Fiduciary Net Position	8,029	12,661	18,522	20,340	4,787	16,047	13,165	26,284
Plan Fiduciary Net Position - Beginning	-	8,029	20,690	39,212	59,552	64,339	80,386	93,551
Plan Fiduciary Net Position - Ending (b)	\$ 8,029	\$ 20,690	\$ 39,212	\$ 59,552	\$ 64,339	\$ 80,386	\$ 93,551	\$ 119,835
Net Pension Asset - Ending (a) - (b)	\$ 13,490	\$ 16,190	\$ 15,552	\$ 11,224	\$ 18,246	\$ 6,359	\$ (6,492)	\$ (14,664)
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%	113.94%
Covered Employee Payroll	108,634	149,610	205,675	216,633	222,650	233,534	276,236	275,188
Net Pension Asset as a Percentage of Covered Employee Payroll	12.42%	10.82%	7.56%	5.18%	8.19%	2.72%	-2.35%	-5.33%

CITY OF NEWARK, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2022

EXHIBIT B-3

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 4,720	\$ 6,679	\$ 7,263	\$ 6,328	\$ 7,640	\$ 7,556	\$ 6,845	\$ 3,739
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>	<u>3,739</u>
Contribution excess	<u>\$ -</u>							
Covered employee payroll	\$ 135,192	\$ 200,526	\$ 220,211	\$ 217,632	\$ 241,856	\$ 252,799	\$ 330,265	\$ 275,188
Contributions as a percentage of covered employee payroll	3.49%	3.33%	3.30%	2.91%	3.16%	2.99%	2.07%	1.36%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
 Amortization Method Level Percentage of Payroll, Closed
 Remaining Amortization Period N/A
 Asset Valuation Method 10 Year smoothed market; 12% soft corridor
 Inflation 2.50%
 Salary Increases 3.50% to 11.50% including inflation
 Investment Rate of Return 6.75%
 Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF NEWARK, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

DECEMBER 31, 2021

EXHIBIT B-4

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB Liability					
Service cost	\$ 607	\$ 690	\$ 794	\$ 801	\$ 523
Interest	73	97	189	171	115
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	1,731	(1,089)	(2,142)	71
Changes of assumptions	278	(409)	1,227	872	271
Benefit payments	-	-	-	(28)	(55)
Net Change in Total OPEB Liability	958	2,109	1,121	(326)	925
Total OPEB Liability - Beginning	<u>1,629</u>	<u>2,587</u>	<u>4,696</u>	<u>5,817</u>	<u>5,491</u>
Total OPEB Liability - Ending (a)	<u>\$ 2,587</u>	<u>\$ 4,696</u>	<u>\$ 5,817</u>	<u>\$ 5,491</u>	<u>\$ 6,416</u>
Covered Employee Payroll	\$ 216,633	\$ 222,650	\$ 233,534	\$ 276,236	\$ 275,188
Total OPEB Liability as a Percentage of Covered Employee Payroll	1.19%	2.11%	2.49%	1.99%	2.33%

NOTES TO SCHEDULE:

Changes of assumptions.

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

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

Other Supplementary Information

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

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-1

	2022	2021	2020	2019	2018
Resources (inflows):					
Tax revenues					
Property taxes	\$ 384,153	\$ 374,100	\$ 368,851	\$ 340,905	\$ 323,265
Sales taxes	156,258	127,216	102,505	75,090	70,125
Municipal Development District sales taxes	75,172	60,006	48,263	35,173	31,881
Franchise fees	47,536	43,246	42,484	46,428	44,889
Total tax revenues	<u>663,119</u>	<u>604,568</u>	<u>562,103</u>	<u>497,596</u>	<u>470,160</u>
Municipal court fines & fees	5,931	18,031	13,214	11,039	16,398
Intergovernmental					
Library grants	-	36,789	50,544	39,103	27,891
Total intergovernmental	<u>-</u>	<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	19,769	13,035	15,074	14,924	-
Total charges for services	<u>19,769</u>	<u>13,141</u>	<u>15,672</u>	<u>15,143</u>	<u>1,157</u>
License & permits					
Building permits	121,179	23,541	17,895	23,332	15,952
Animal registration	463	454	182	205	594
Total licenses & permits	<u>121,642</u>	<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	42,763	-	-	-	-
Total donations & grants	<u>42,763</u>	<u>3</u>	<u>321</u>	<u>60</u>	<u>69</u>
Other revenues					
Cell tower rental	23,578	22,212	22,096	20,552	19,888
Conduit loan fees	50,000	30,000	12,000	30,000	62,481
Other income	401	133	5,471	181	273
Gas lease income	4,499	1,835	1,189	2,084	2,134
Total other revenues	<u>78,478</u>	<u>54,180</u>	<u>40,756</u>	<u>52,817</u>	<u>84,776</u>
Investment income	825	85	1,423	1,898	1,155
Total resources	<u>932,527</u>	<u>750,792</u>	<u>702,110</u>	<u>641,193</u>	<u>618,152</u>
Charges to appropriations:					
Administration					
Salaries & wages	123,496	133,427	55,176	49,496	98,423
Payroll taxes	9,466	11,182	4,445	3,698	7,818
Retirement	4,261	2,904	1,686	1,451	2,858
Health insurance	11,415	15,088	12,890	13,253	22,995
Audit services	-	-	7,500	7,500	7,500
Legal services	40,778	41,419	21,409	41,142	19,691
Tax collection fees	6,838	6,272	6,265	5,302	5,147
Building inspection fees	112,832	10,710	8,742	4,565	4,811
Building maintenance	47,136	2,858	4,874	2,995	6,540
Codification services	1,742	395	2,333	2,200	1,795
Computer expense	6,140	6,989	7,930	8,499	7,007
Community center-enhancement project	-	-	-	-	38,145
Dues & subscriptions	1,007	957	907	905	984

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-1

	2022	2021	2020	2019	2018
Election	1,838	2,871	2,197	-	1,963
Insurance	5,750	4,946	5,088	5,101	5,178
Office supplies, copier, postage & other exp.	13,798	15,933	6,659	8,282	6,406
Public notices	689	1,762	1,575	1,145	2,024
Telephone & utilities	12,693	8,309	9,893	9,284	9,326
Travel & training	-	-	396	324	2,180
Debt service	23,655	23,409	23,130	23,832	23,514
Grant projects	3,281	-	-	-	-
Total administration	<u>426,815</u>	<u>289,431</u>	<u>183,095</u>	<u>188,974</u>	<u>274,305</u>
Public safety					
Animal control	460	500	991	3,147	5,070
Police-contract labor	48,248	36,129	43,231	35,495	28,116
Insurance	1,951	2,129	2,350	2,479	2,876
Judge & prosecutor	1,292	5,428	13,450	11,051	33,181
Salary & wages-municipal court	1,350	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	11,841	7,797	9,451	8,078	5,021
Training	681	110	90	40	1,241
Code enforcement	29,094	18,154	12,591	27,372	16,574
Total public safety	<u>94,917</u>	<u>72,185</u>	<u>112,070</u>	<u>117,287</u>	<u>118,979</u>
Fire department					
Fire protection services	10,000	10,000	8,000	8,000	8,000
Total fire department	<u>10,000</u>	<u>10,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
Parks					
Supplies & maintenance	500	27	3,470	392	219
Utilities	193	(40)	308	18,320	-
Total parks	<u>693</u>	<u>(13)</u>	<u>3,778</u>	<u>18,712</u>	<u>219</u>
Public works					
Salaries & wages & contract labor	31,598	31,436	31,281	28,897	24,770
Payroll taxes	4,586	2,447	2,486	2,255	1,621
Retirement	1,553	799	711	663	188
Health insurance	3,909	6,029	8,429	7,427	4,296
Engineering	-	-	4,452	950	-
Insurance	11,346	11,247	3,845	3,910	-
Street lights	16,627	14,162	13,572	10,602	14,856
Street maintenance	4,918	7,393	5,416	3,446	838
Mowing	38,000	36,150	36,150	36,415	10,732
Equipment maintenance	2,159	2,181	2,329	2,665	2,463
Total public works	<u>114,696</u>	<u>111,844</u>	<u>108,671</u>	<u>97,230</u>	<u>59,764</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

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-1

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Security	-	366	406	371	319
Total library	<u>-</u>	<u>28,865</u>	<u>62,498</u>	<u>51,509</u>	<u>43,517</u>
Total appropriations	<u>647,121</u>	<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>285,406</u>	<u>238,480</u>	<u>223,998</u>	<u>159,481</u>	<u>113,368</u>
Capital outlay					
Administration	(39,180)	-	(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>(39,180)</u>	<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	(121,902)	(21,497)	(116,195)	(21,457)	(21,920)
Total other sources (uses)	<u>(121,902)</u>	<u>(13,497)</u>	<u>(116,195)</u>	<u>(21,457)</u>	<u>(21,920)</u>
Excess of revenues over (under) expenditures	<u>\$ 124,324</u>	<u>\$ 184,161</u>	<u>\$ 51,186</u>	<u>\$ 60,580</u>	<u>\$ 82,418</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-2

	2022	2021	2020	2019	2018
Revenues:					
Charges for services					
Water & sewer	\$ 493,221	\$ 461,161	\$ 424,603	\$ 334,829	\$ 352,052
Garbage	-	-	-	-	95,347
Tap fees	-	-	-	2,700	3,000
Late charges	16,600	7,411	5,869	10,979	10,897
Reconnect fees	4,940	4,787	2,917	4,372	7,224
Total operating revenues	<u>514,761</u>	<u>473,359</u>	<u>433,389</u>	<u>352,880</u>	<u>468,520</u>
Operating expenses:					
Personnel					
Salary & wages	127,049	116,306	135,117	127,445	115,303
Health insurance	10,200	12,506	24,603	27,319	25,019
Retirement	370	(322)	3,042	4,096	3,191
Payroll taxes	9,705	9,971	10,603	9,483	9,242
Total personnel	<u>147,324</u>	<u>138,461</u>	<u>173,365</u>	<u>168,343</u>	<u>152,755</u>
Professional fees					
Engineering	1,680	503	-	950	840
Master plan	-	-	-	30,000	-
Total professional fees	<u>1,680</u>	<u>503</u>	<u>-</u>	<u>30,950</u>	<u>840</u>
Supplies & contract services					
Electricity	52,527	36,599	33,908	33,861	31,921
Garbage collection	-	-	-	-	79,729
Insurance	-	-	9,000	7,820	13,326
IT software & support	5,320	5,628	8,236	15,164	1,640
Lab fees	23,927	21,387	18,946	20,691	18,416
Office supplies	428	535	564	505	287
Other expenses	623	1,881	1,882	1,911	1,410
Permits & inspections	9,844	8,636	3,359	3,309	3,309
Postage	2,349	1,849	2,666	3,163	2,520
Supplies	7,299	5,799	7,051	5,317	12,359
Telephone	2,777	2,330	2,786	3,062	4,591
Training	1,375	1,295	1,046	-	699
Vehicle expenses	13,084	12,428	5,808	10,247	8,383
Total supplies & contract services	<u>119,553</u>	<u>98,367</u>	<u>95,252</u>	<u>105,050</u>	<u>178,590</u>
Repairs & maintenance					
Lift station expense	12,689	4,021	20,278	-	-
Supplies & equipment	6,113	4,007	2,946	4,559	3,693
Sewer system	24,556	22,384	28,084	19,186	17,413
Water system	41,555	66,970	32,233	25,518	17,508
Total repairs & maintenance	<u>84,913</u>	<u>97,382</u>	<u>83,541</u>	<u>49,263</u>	<u>38,614</u>
Total operating expenses before depreciation	<u>353,470</u>	<u>334,713</u>	<u>352,158</u>	<u>353,606</u>	<u>370,799</u>
Operating income (loss) before depreciation	<u>161,291</u>	<u>138,646</u>	<u>81,231</u>	<u>(726)</u>	<u>97,721</u>
Depreciation	<u>194,067</u>	<u>177,270</u>	<u>170,663</u>	<u>164,016</u>	<u>163,135</u>
Operating income (loss)	<u>(32,776)</u>	<u>(38,624)</u>	<u>(89,432)</u>	<u>(164,742)</u>	<u>(65,414)</u>
Non-operating revenues & (expenses):					
Investment income	-	-	-	-	128
Interest expense	(16,518)	(18,723)	(19,997)	(19,748)	(20,336)
Total non-operating revenues & (expenses)	<u>(16,518)</u>	<u>(18,723)</u>	<u>(19,997)</u>	<u>(19,748)</u>	<u>(20,208)</u>

CITY OF NEWARK, TEXAS
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT C-2

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income (loss) before capital contributions & transfers	<u>(49,294)</u>	<u>(57,347)</u>	<u>(109,429)</u>	<u>(184,490)</u>	<u>(85,622)</u>
Capital contributions and transfers					
Capital grants	284,615	288,210	281,975	30,375	-
Transfers from general fund for capital improvement	100,406	-	95,000	-	-
Transfers from debt service fund	21,496	21,497	21,195	21,457	21,920
Total capital contributions and transfers	<u>406,517</u>	<u>309,707</u>	<u>398,170</u>	<u>51,832</u>	<u>21,920</u>
Change in net position	<u>\$ 357,223</u>	<u>\$ 252,360</u>	<u>\$ 288,741</u>	<u>\$ (132,658)</u>	<u>\$ (63,702)</u>

Internal Control and Compliance



Independent Auditors' Report

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

To the City Council
City of Newark, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newark, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Newark, Texas' basic financial statements, and have issued our report thereon dated August 14, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newark, Texas'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.

August 14, 2024

**CITY OF NEWARK, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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