

CITY OF NEWARK, TEXAS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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Independent Auditor's Report

To the City Council
City of Newark, Texas

I have audited the accompanying financial statements of the governmental activities and the business-type activities of the City of Newark, Texas as of and for the year ending September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the City of Newark, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, the schedule of changes in net pension liability and related ratios and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newark's basic financial statements. The comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds and the comparative schedule of revenues, expenses and changes in net position - Proprietary Fund are presented for additional analysis and are not a part of the basic financial statements.

The comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds and comparative schedule of revenues, expenses and changes in net position - Proprietary Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the comparative schedule of revenues, expenses and changes in fund balance - Governmental Funds and the comparative schedule of revenues, expenses and changes in net position - Proprietary Fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 15, 2021, on my consideration of the City of Newark, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newark, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newark, Texas's internal control over financial reporting and compliance.

William C. Spore, P.C.

Certified Public Accountants

Keller, Texas

July 15, 2021

**CITY OF NEWARK, TEXAS
CITY OFFICIALS**

For the Year Ended September 30, 2020

MAYOR

Mark Wondolowski

MAYOR PRO TEM

Chris Raines

COUNCIL MEMBERS

Taylor Burton

Sean Phillips

Richard Sidebottom

Darla Loggains-Wood

CITY SECRETARY

Jeanine Inman

CITY OF NEWARK, TEXAS 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, 2020. 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, 2020, Government-Wide total assets and deferred outflows exceeded total liabilities and deferred inflows by \$3,215,946 (net position), an increase of \$380,312 over the prior period.
- Of the total Government-Wide Net Position, \$487,007 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 \$559,595. The unassigned General Fund balance is \$415,577 or 123% of General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities

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

The Statement of Net Position (page 11) 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 12) 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 13 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 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position is as follows:

	STATEMENT OF NET POSITION					
	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 610,689	\$ 579,653	\$ 188,827	\$ 101,579	\$ 799,516	\$ 681,232
Capital Assets	408,285	386,137	2,829,058	2,593,115	3,237,343	2,979,252
Total Assets	<u>1,018,974</u>	<u>965,790</u>	<u>3,017,885</u>	<u>2,694,694</u>	<u>4,036,859</u>	<u>3,660,484</u>
Deferred Outflows of Resources	<u>2,638</u>	<u>7,110</u>	<u>2,642</u>	<u>7,450</u>	<u>5,280</u>	<u>14,560</u>
Long-Term Liabilities	155,000	170,000	494,354	497,033	649,354	667,033
Net Pension & OPEB Liabilities	4,581	9,755	7,595	13,187	12,176	22,942
Other Liabilities	33,162	55,847	131,501	93,588	164,663	149,435
Total Liabilities	<u>192,743</u>	<u>235,602</u>	<u>633,450</u>	<u>603,808</u>	<u>826,193</u>	<u>839,410</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Position:						
Invested in Capital Assets, net of Related Debt	253,285	216,137	2,334,704	2,096,082	2,587,989	2,312,219
Restricted	140,950	17,739	0	0	140,950	17,739
Unrestricted	434,634	503,422	52,373	2,254	487,007	505,676
Total Net Position	<u>\$ 828,869</u>	<u>\$ 737,298</u>	<u>\$ 2,387,077</u>	<u>\$ 2,098,336</u>	<u>\$ 3,215,946</u>	<u>\$ 2,835,634</u>

At September 30, 2020, the City had total assets of \$4,038,859 which included capital assets of \$3,237,343. These capital assets represent 80% 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 net position (assets plus deferred outflows less liabilities and deferred inflows) increased \$380,312 a 13.4% increase in net position during the fiscal year. Restricted net position is \$140,950 and represents net resources that are subject to external restrictions on how that may be used. Unrestricted net position totals \$487,007 or 15.1% 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	
	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019	Year Ended Sept. 30, 2020	Year Ended Sept. 30, 2019
Revenues:						
Program Revenues:						
Fees, Fines and Charges						
for Services	\$ 87,719	\$ 102,536	\$ 433,389	\$ 352,880	\$ 521,108	\$ 455,416
Operating Grants & Contributions	50,865	39,163	0	0	50,865	39,163
Capital Grants & Contributions	0	0	281,975	30,375	281,975	30,375
General Revenue:						
Property Taxes	370,809	345,666	--	--	370,809	345,666
Sales Taxes	150,768	110,263	--	--	150,768	110,263
Franchise Fees	42,484	46,428	--	--	42,484	46,428
Interest Income	1,423	1,898	0	0	1,423	1,898
Transfers	(116,195)	(21,457)	116,195	21,457	0	0
Total Revenues	<u>587,873</u>	<u>624,497</u>	<u>831,559</u>	<u>404,712</u>	<u>1,419,432</u>	<u>1,029,209</u>
Expenses:						
General Government	165,138	170,626	--	--	165,138	170,626
Public Safety	121,745	127,357	--	--	121,745	127,357
Cultural & Recreation	76,466	81,383	--	--	76,466	81,383
Public Works	125,033	108,173	--	--	125,033	108,173
Interest on Long-Term Debt	7,920	8,622	19,997	19,748	27,917	28,370
Loss on Assets No Lnger in Use	0	70,777	0	0	0	70,777
Water & Sewer	--	--	522,821	517,622	522,821	517,622
Total Expenses	<u>496,302</u>	<u>566,938</u>	<u>542,818</u>	<u>537,370</u>	<u>1,039,120</u>	<u>1,104,308</u>
Change in Net Position	\$ <u>91,571</u>	\$ <u>57,559</u>	\$ <u>288,741</u>	\$ <u>(132,658)</u>	\$ <u>380,312</u>	\$ <u>(75,099)</u>

Fiscal year 2020 governmental activities revenues (before transfers) increased \$58,114 over 2019 governmental activities revenues. Fees, fines, and charges for services revenues decreased 14% from 2019 primarily due to a decrease in permit revenues. In fiscal year 2020 the City received \$50,544 in library grants compared to \$39,163 in 2019. Sales tax revenues increased \$40,505 due to an increased retail sales in the city due to changes in the state laws related to online sales. Interest earned on the City's investments decreased in 2020 as the City's rate of return on its bank accounts has decreased.

The City continued to closely monitor its expenses during the fiscal year as total governmental operating expenses only increased \$141 from 2019 to 2020.

Fiscal year 2020 water and sewer revenues increased 23% from 2019 and water and sewer 2020 operating expenses increased \$5,199 (1%) from 2019 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 \$559,595, which is an increase of \$51,186 from the prior year. The components of the governmental fund balances are as follows:

	As of September 30,	
	<u>2020</u>	<u>2019</u>
Non-Spendable Prepaid Expenses	\$ 3,068	\$ 3,025
Restricted:		
Debt Service	25,633	17,739
Municipal Development	115,317	67,054
Total Restricted	<u>140,950</u>	<u>84,793</u>
Unassigned	415,577	420,591
Total Fund Balance	<u>\$ 559,595</u>	<u>\$ 508,409</u>

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 \$52,373 and the net position of the water and sewer fund increased \$288,741 from the prior period.

General Fund Budgetary Highlights

During the fiscal year, the City Council amended the original budget to include more accurately reflect the revenues and expenditures of the general fund. The amended budget resulted in a budget surplus of \$49,731.

A general fund budget - actual summary for 2020 is as follows:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 460,793	\$ 466,815	\$ 6,022
Municipal Court Fines & Fees	13,214	13,214	0
Licenses & Permits	18,077	18,077	0
Charges for Services	5,031	15,672	10,641
Intergovernmental Revenues	50,544	50,544	0
Donations/Grants	0	321	321
Other Revenues	35,381	40,756	5,375
Investment Income	0	1,423	1,423
Total Revenues	<u>\$ 583,040</u>	<u>\$ 606,822</u>	<u>\$ 23,782</u>

General fund budget – actual summary continued:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Administration	\$ 187,064	\$ 159,965	\$ 27,099
Public Safety	115,369	112,070	3,299
Fire Department	8,000	8,000	0
Parks	3,604	3,778	(174)
Public Works	107,220	108,671	(1,451)
Library	60,215	62,498	(2,283)
Capital Outlay	51,837	56,617	(4,780)
Transfers to Water & Sewer	0	95,000	(95,000)
Total Expenditures	<u>533,309</u>	<u>606,599</u>	<u>(73,290)</u>
Excess of Revenues Over Expenditures	<u>\$ 49,731</u>	<u>\$ 223</u>	<u>\$ (49,508)</u>

During the fiscal year, the City transferred \$95,000 to the water and sewer fund for capital 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 Liability as of September 30, 2020, of \$6,359 which is 2.72% of the City’s annual covered payroll of \$233,534. The City’s net pension liability decreased \$11,887 from September 30, 2019, to September 30, 2020, primarily due to the fund’s investment earning increasing \$11,812 from 2019 to 2020.

Effective for fiscal year 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The City’s OPEB liability as of September 30, 2020, was \$5,817, an increase of \$1,121 from September 30, 2019.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2020, amounts to \$3,237,343 (net of depreciation). The investment in capital assets includes land, buildings, equipment, and infrastructure. Infrastructure includes streets, drainage, water, and sewer systems. Capital assets added in 2020 include storage equipment -\$2,400, playground equipment - \$5,625, radar equipment - \$1,792, street patching equipment - \$46,800, water and sewer equipment - \$31,959, building improvements -\$ 4,200, and water and sewer infrastructure improvements - \$370,447. The City's capital assets, net of accumulated depreciation, are as follows:

CAPITAL ASSETS:	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 71,549	\$ 71,549	\$ 4,400	\$ 4,400	\$ 75,949	\$ 75,949
Construction in Progress	0	0	404,275	33,828	404,275	33,828
Buildings & Improvements	18,249	28,299	24,898	21,583	43,147	49,882
Equipment	66,757	67,195	49,969	36,632	116,726	103,827
Parks	31,139	29,057	0	0	31,139	29,057
Streets & Drainage	220,591	190,037	0	0	220,591	190,037
Waterworks & Sewer System	0	0	2,345,516	2,496,672	2,345,516	2,496,672
Net Capital Assets	<u>\$ 408,285</u>	<u>\$ 386,137</u>	<u>\$ 2,829,058</u>	<u>\$ 2,593,115</u>	<u>\$ 3,237,343</u>	<u>\$ 2,979,252</u>

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

DEBT ADMINISTRATION

The City added one long-term debt during the fiscal year, a finance contract for the purchase of a public works vehicle in the amount of \$27,354. Outstanding long-term debts are as follows:

LONG-TERM DEBTS:	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Finance Contract	\$ 0	\$ 0	\$ 27,354	\$ 6,033	\$ 27,354	\$ 6,033
2008 Certificates of Obligation	155,000	170,000	0	0	155,000	170,000
2013 Certificates of Obligation	0	0	467,000	491,000	467,000	491,000
Total Long-Term Debts	<u>\$ 155,000</u>	<u>\$ 170,000</u>	<u>\$ 494,354</u>	<u>\$ 497,033</u>	<u>\$ 649,354</u>	<u>\$ 667,033</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 2021 are \$559,406 a \$23,184 decrease from final 2020 budgeted revenues. The tax rate applied in the 2021 budget is 58.9009 cents per \$100 of valuation, a decrease of 6.1337 cents per \$100 of valuation from the 2020 tax rate.

Budgeted general fund expenditures for fiscal year 2021 are \$773,465 and included \$124,325 for administrative wages, \$75,000 for police contract services, \$25,480 for library wages, and \$152,737 for public works wages. For the fiscal year 2021 budget purposes all of the water and sewer personnel cost were included the general fund public works budget. The net budget is a deficit of \$214,060. This deficit will be funded from water and sewer budgeted surplus revenues.

Water and sewer fund 2021 budgeted revenues are \$447,000 an increase of \$13,611 over the fiscal year 2020 actual revenues. Budgeted water and sewer fund expenditures total \$ 232,940 and include \$27,840 for debt service payments and transfers to the general fund of \$214,060.

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.

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

For the Year Ended September 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & Equivalents	\$ 419,607	\$ 44,131	\$ 463,738
Accounts Receivable (net)	56,614	73,718	130,332
Prepaid Expenses	3,068	2,191	5,259
Restricted Cash & Equivalents	131,400	68,787	200,187
Capital Assets:			
Land	71,549	4,400	75,949
Buildings & Improvements	185,117	41,912	227,029
Equipment	223,407	258,745	482,152
Infrastructure	287,121	4,548,780	4,835,901
Construction in Progress	0	404,275	404,275
Less - Accumulated Depreciation	<u>(358,909)</u>	<u>(2,429,054)</u>	<u>(2,787,963)</u>
Total Capital Assets, Net of Accum. Depr.	<u>408,285</u>	<u>2,829,058</u>	<u>3,237,343</u>
TOTAL ASSETS	\$ <u>1,018,974</u>	\$ <u>3,017,885</u>	\$ <u>4,036,859</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	\$ 1,948	\$ 1,927	\$ 3,875
OPEB Related	690	715	1,405
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>2,638</u>	\$ <u>2,642</u>	\$ <u>5,280</u>
LIABILITIES			
Accounts Payable	\$ 22,760	\$ 43,476	\$ 66,236
Accrued Liabilities	4,434	10,187	14,621
Accrued Compensated Absences	5,968	9,051	15,019
Customer Deposits	0	68,787	68,787
Net Pension Liability	1,638	4,721	6,359
OPEB Liability	2,943	2,874	5,817
Long-Term Debt-Due Within One Year	16,000	29,924	45,924
Long-Term Debt-Due in More than One Year	<u>139,000</u>	<u>464,430</u>	<u>603,430</u>
TOTAL LIABILITIES	\$ <u>192,743</u>	\$ <u>633,450</u>	\$ <u>826,193</u>
NET POSITION			
Invested in Capital Assets, net of Related Debt	\$ 253,285	\$ 2,334,704	\$ 2,587,989
Restricted for:			
Debt Service	25,633	0	25,633
Special Revenues	115,317	0	115,317
Unrestricted	<u>434,634</u>	<u>52,373</u>	<u>487,007</u>
TOTAL NET POSITION	\$ <u>828,869</u>	\$ <u>2,387,077</u>	\$ <u>3,215,946</u>

CITY OF NEWARK, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

	EXPENSES	FINES, FEES & CHARGES FOR SERVICES	OPERATING GRANTS & DONATIONS	CAPITAL GRANTS & DONATIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ (165,138)	\$ 73,907	\$ 0	\$ 0	\$ (91,231)	--	(91,231)
Public Safety	(121,745)	13,214	321	0	(108,210)	--	(108,210)
Culture & Recreation	(76,466)	598	50,544	0	(25,324)	--	(25,324)
Public Works	(125,033)	0	0	0	(125,033)	--	(125,033)
Interest on Long-Term Debt	(7,920)	0	0	0	(7,920)	--	(7,920)
TOTAL GOVERNMENTAL ACTIVITIES	<u>(496,302)</u>	<u>87,719</u>	<u>50,865</u>	<u>0</u>	<u>(357,718)</u>	--	--
BUSINESS-TYPE ACTIVITIES:							
Water & Sewer	<u>(542,818)</u>	<u>433,389</u>	<u>0</u>	<u>281,975</u>	<u>--</u>	<u>172,546</u>	<u>172,546</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (1,039,120)</u>	<u>\$ 521,108</u>	<u>\$ 50,865</u>	<u>\$ 281,975</u>	<u>\$ (357,718)</u>	<u>172,546</u>	<u>(185,172)</u>
GENERAL REVENUE							
Property Taxes					370,809	--	370,809
Sales Taxes					150,768	--	150,768
Franchise Fees					42,484	--	42,484
Interest Income					1,423	0	1,423
Transfers					(116,195)	116,195	0
TOTAL GENERAL REVENUE					<u>449,289</u>	<u>116,195</u>	<u>565,484</u>
CHANGE IN NET POSITION					91,571	288,741	380,312
NET POSITION - BEGINNING					<u>737,298</u>	<u>2,098,336</u>	<u>2,835,634</u>
NET POSITION - ENDING					<u>\$ 828,869</u>	<u>\$ 2,387,077</u>	<u>\$ 3,215,946</u>

CITY OF NEWARK, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash & Cash Equivalents	\$ 419,607	\$ 25,633	\$ 105,767	\$ 551,007
Receivables:				
Property Taxes	22,631	3,440	0	26,071
Sales Taxes	20,095	0	9,550	29,645
Franchise Fees	898	0	0	898
Prepaid Expenses	3,068	0	0	3,068
TOTAL ASSETS	466,299	29,073	115,317	610,689
LIABILITIES				
Accounts Payable	22,760	0	0	22,760
Accrued Liabilities	2,263	0	0	2,263
TOTAL LIABILITIES	25,023	0	0	25,023
DEFERRED INFOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	22,631	3,440	0	26,071
FUND BALANCE				
Non-Spendable Prepaid Expenses	3,068	0	0	3,068
Restricted:				
Debt Service	0	25,633	0	25,633
Municipal Development	0	0	115,317	115,317
Unassigned	415,577	0	0	415,577
TOTAL FUND BALANCE	418,645	25,633	115,317	559,595
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 441,276	\$ 29,073	\$ 115,317	\$ 610,689

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

For the Year Ended September 30, 2020

Governmental Fund Balance Above	\$	559,595
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund Balance Sheet		408,285
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Property taxes not received within sixty days of year end are not available to pay for current period expenditures and, therefore are deferred in the Fund Balance Sheet		26,071
--	--	--------

Deferred outflows of resources are not reported in the governmental funds:

Pension contributions		3,189
Change in pension assumptions		741
OPEB contributions		10
Difference in OPEB experience		205
Change in OPEB assumptions		476

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Fund Balance Sheet:

Certificates of obligation		(155,000)
Accrued interest		(2,172)
Compensated absences		(5,968)
Net pension liability		(1,638)
Net OPEB Liability		(2,943)

Deferred inflows of resources are not reported in the governmental funds:

Difference in pension experience		(871)
Excess pension investment returns		(1,111)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>828,869</u>
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CITY OF NEWARK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	MUNICIPAL DEVELOPMENT DISTRICT	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 321,826	\$ 47,025	\$ 0	\$ 368,851
Sales Taxes	102,505	0	48,263	150,768
Franchise Fees	42,484	0	0	42,484
Intergovernmental	50,544	0	0	50,544
Charges for Services	15,672	0	0	15,672
Municipal Court	13,214	0	0	13,214
Licenses & Permits	18,077	0	0	18,077
Donation Revenues	321	0	0	321
Other Revenues	28,756	0	0	28,756
Conduit Loan Fees	12,000	0	0	12,000
Interest Income	1,423	0	0	1,423
TOTAL REVENUES	606,822	47,025	48,263	702,110
EXPENDITURES				
General Government	159,965	0	0	159,965
Public Safety	120,070	0	0	120,070
Culture & Recreation	66,276	0	0	66,276
Public Works	108,671	0	0	108,671
Debt Service-Principle	0	15,000	0	15,000
Debt Service-Interest	0	8,130	0	8,130
Capital Outlay	56,617	0	0	56,617
TOTAL EXPENDITURES	511,599	23,130	0	534,729
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER SOURCES	95,223	23,895	48,263	167,381
OTHER FINANCING SOURCES (USES)				
Transfer to Water & Sewer Fund	(95,000)	(21,195)	0	(116,195)
TOTAL OTHER FINANCING SOURCES (USES)	(95,000)	(21,195)	0	(116,195)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	223	2,700	48,263	51,186
FUND BALANCE - BEGINNING OF YEAR	418,422	22,933	67,054	508,409
FUND BALANCE - END OF YEAR	\$ 418,645	\$ 25,633	\$ 115,317	\$ 559,595

CITY OF NEWARK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Net Change in Fund Balance - Governmental Funds	\$	51,186
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives as depreciation expense:</p>		
Capital assets recorded in the current period		56,617
Depreciation expense on capital assets		(34,469)
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of Net Position</p>		
		0
<p>Repayment on debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position</p>		
		15,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Deferred Revenues - Property Taxes		1,958
<p>Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Accrued interest		210
Compensated absences		366
Pension Liability		1,269
OPEB Liability		(566)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>91,571</u>

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

For the Year Ended September 30, 2020

ASSETS	WATER & SEWER FUND
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 44,131
Accounts Receivable (Net)	73,718
Prepaid Expenses	2,191
TOTAL CURRENT ASSETS	<u>120,040</u>
NON-CURRENT ASSETS	
Restricted Cash	<u>68,787</u>
Capital Assets:	
Land	4,400
Construction in Progress	404,275
Buildings	41,912
Equipment	258,745
Distribution & Collection System	<u>4,548,780</u>
	5,258,112
Less Accumulated Depreciation	<u>(2,429,054)</u>
Net Capital Assets	<u>2,829,058</u>
TOTAL ASSETS	<u>\$ 3,017,885</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	\$ 1,927
OPEB Related	715
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,642</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 43,476
Accrued Expenses	10,187
Accrued Compensated Absences	9,051
Customer Deposit Liability	68,787
Finance Contract-Due in One Year	4,924
2013 Certificates of Obligation-Due in One Year	<u>25,000</u>
TOTAL CURRENT LIABILITIES	<u>161,425</u>
NON-CURRENT LIABILITIES	
Net Pension Liability	4,721
OPEB Liability	2,874
Finance Contracts	22,430
2013 Certificates of Obligation	<u>442,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>472,025</u>
TOTAL LIABILITIES	<u>\$ 633,450</u>
NET POSITION	
Invested in Capital Assets, net of Related Debt	\$ 2,334,704
Unrestricted	<u>52,373</u>
TOTAL NET POSITION	<u>\$ 2,387,077</u>

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

For the Year Ended September 30, 2020

	WATER & SEWER
REVENUES:	
Water & Sewer	\$ 424,603
Tap Fees	0
Late Charges	5,869
Reconnect Fees	2,917
Miscellaneous Revenues	0
TOTAL REVENUES	<u>433,389</u>
EXPENSES	
Personnel	173,365
Repair & Maintenance	83,541
Professional Fees	0
Supplies & Contract Service	95,252
Depreciation	170,663
TOTAL EXPENSES	<u>522,821</u>
OPERATING INCOME	<u>(89,432)</u>
NON-OPERATING REVENUES & (EXPENSES):	
Interest Expense	<u>(19,997)</u>
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>(19,997)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Transfers from General Fund	95,000
Transfers from Debt Service Fund	21,195
Capital Grant	281,975
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>398,170</u>
CHANGE IN NET POSITION	<u>288,741</u>
NET POSITION - BEGINNING OF YEAR	2,098,336
NET POSITION - END OF YEAR	<u>\$ 2,387,077</u>

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

For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 403,052
Cash Payments to Suppliers for Goods and Services	(177,663)
Cash Payments for Employees Services	(173,089)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>52,300</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from Debt Service Fund	116,195
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	<u>116,195</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(372,555)
Capital Grants Received	281,975
Proceeds from Issuance of Debt	27,354
Principal Paid on Bonds/Finance Contracts	(30,033)
Interest Paid on Bonds/Finance Contracts	(19,162)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(112,421)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>0</u>
 NET INCREASE IN CASH	 56,074
 CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	 56,844
 CASH & CASH EQUIVALENTS - END OF YEAR	 \$ <u><u>112,918</u></u>
 REPORTED IN STATEMENT OF NET POSITION AS:	
Cash & Cash Equivalents	\$ 44,131
Restricted Cash	68,787
TOTAL CASH & CASH EQUIVALENTS	<u>\$ 112,918</u>

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

Operating Income (Loss)	\$ (89,432)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	170,663
(Increase) Decrease in Receivables	(31,350)
(Increase) Decrease in Prepaid Expenses	176
(Increase) Decrease in Deferred Outflows	4,808
Increase (Decrease) in Accounts Payable	971
Increase (Decrease) in Accrued Expenses	1,043
Increase (Decrease) in Customer Deposits	1,013
Increase (Decrease) in Net Pension Liability	(5,592)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 52,300</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

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

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

A. REPORTING ENTITY

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

NCEFFC was created in April 2008 primarily for the purpose of providing funds to borrowers to enable such borrowers to acquire, construct, renovate or otherwise improve facilities. NCEFFC does not have any assets or liabilities. See Note 8 related to conduit debt.

NHEFS was created in April 2014 primarily for the purpose of proving financing of "educational facilities" or "housing facilities" as these terms are defined in the Texas Education Code. NHEFC does not have any assets or liabilities. See Note 8 related to conduit debt.

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

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

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

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, culture, recreation and public works). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants.

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

The City does not allocate indirect costs.

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

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

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

The following fund types are used by the City.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

1. Governmental Funds:

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

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

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

2. Proprietary Funds:

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

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

The City does not have any fiduciary funds.

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

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

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

6: New Accounting Principles:

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Newark.

- *Statement no, 92, Omnibus 2020.* This statement is effective for fiscal years beginning after June 15, 2020. This statement will not affect the City.
- *Statement no. 93, Replacement of Interbank Offered Rates.* This statement is effective for fiscal years beginning after December 31, 2021. This statement will not affect the City.
- *Statement no. 94, Public Private and Public Public Private Partnerships and Available Payment Arrangements.* This statement is effective for fiscal years beginning after June 15, 2022. This statement will not affect the City.
- *Statement no. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.*

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

This statement is effective immediately. This statement will not affect the City

- *Statement no. 96, Subscription-based Information Technology Arrangements.* This statement is effective June 15, 2022. This statement will not affect the City.

New pronouncements not yet in effect as of September 30, 2020, are not expected to have any significant impact on the City's financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2021, as required.

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits and certificates of deposit which have maturities of one year or less.

2. Taxes:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes are recorded as receivables in the period they are levied and available. For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

3. Prepaid Expenses:

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

4. Capital Assets:

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

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

5. Interfund Receivable and Payables:

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

6. Transfers Between Funds:

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

7. Compensated Absences:

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

8. Deferred Outflows of Resources:

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

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

9. Deferred Inflows of Resources:

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

until they are available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as deferred inflows of resources.

10. Pensions:

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

11. Equity Classifications:

Government-wide Statements

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

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

Fund Statements

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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.

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:

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

For the fiscal year ending September 30, 2020, the following departments had expenditures that exceeded appropriations:

Parks	\$ 174
Public Works	\$1,451
Library	\$2,283

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 2: DEPOSITS:

At September 30, 2020, the carrying amount of the City's cash accounts was \$663,925, made up of petty cash of \$600 and \$663,325 held in checking accounts a local financial institution. The City did not own any investments at September 30, 2020.

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, 2020, the City's bank balances (per bank) totaled \$688,303. 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, 2020. Securities pledged by the City depository institution consists of the following:

SECURITY	PAR	FMV
Salado TX ISD bond	\$ 465,000	\$ 483,233

NOTE 3: PROPERTY TAX:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31.

At the fund level property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are then recognized as the taxes are collected.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 4: CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2020, is as follows:

CAPITAL ASSETS GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 71,549	\$ 0	\$ 0	\$ 71,549
Construction in Progress	0	0	0	0
Total Capital Assets not Being Depreciated	<u>71,549</u>	<u>0</u>	<u>0</u>	<u>71,549</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	183,917	1,200	0	185,117
Equipment	187,398	2,992	(2,410)	187,980
Parks	29,802	5,625	0	35,427
Infrastructure	240,321	46,800	0	287,121
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>641,438</u>	<u>56,617</u>	<u>(2,410)</u>	<u>695,645</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	155,618	11,250	0	166,868
Equipment	120,203	3,430	(2,410)	121,223
Parks	745	3,543	0	4,288
Infrastructure	50,284	16,246	0	66,530
TOTAL ACCUMULATED DEPRECIATION	<u>326,850</u>	<u>34,469</u>	<u>(2,410)</u>	<u>358,909</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 386,137</u>	<u>\$ 22,148</u>	<u>\$ 0</u>	<u>\$ 408,285</u>
CAPITAL ASSETS BUSINESS-TYPE ACTIVITIES:	BEGINNING BALANCE	ADDITIONS	TRANSFERS & RETIREMENTS	ENDING BALANCE
Capital Assets not Being Depreciated:				
Land	\$ 4,400	\$ 0	\$ 0	\$ 4,400
Construction in Progress	33,828	370,447	0	404,275
Total Capital Assets not Being Depreciated	<u>38,228</u>	<u>370,447</u>	<u>0</u>	<u>408,675</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	37,712	4,200	0	41,912
Equipment	226,786	31,959	0	258,745
Water & Sewer System	4,548,780	0	0	4,548,780
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>4,813,278</u>	<u>36,159</u>	<u>0</u>	<u>4,849,437</u>
LESS ACCUMULATED DEPRECIATION				
Buildings & Improvements	16,129	885	0	17,014
Equipment	190,154	18,622	0	208,776
Water & Sewer System	2,052,108	151,156	0	2,203,264
TOTAL ACCUMULATED DEPRECIATION	<u>2,258,391</u>	<u>170,663</u>	<u>0</u>	<u>2,429,054</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2,593,115</u>	<u>\$ 235,943</u>	<u>\$ 0</u>	<u>\$ 2,829,058</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES AS FOLLOWS:

Administration	\$	4,673
Public Safety		1,247
Library		8,760
Parks		3,543
Public Works		16,246
TOTAL DEPRECIATION EXPENSE	\$	<u>34,469</u>

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

Water & Sewer	\$	<u>170,663</u>
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NOTE 5: INTERFUND TRANSFERS:

During the fiscal year, the debt service fund transferred \$21,195 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 and the general fund transferred \$95,000 to the water and sewer fund for capital improvements.

NOTE 6: CONDUIT DEBT:

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

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 7: LONG-TERM DEBT:

The following is a summary of the City's Long-Term Debt.

Governmental Funds:

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

Proprietary Fund:

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

Finance Contract - In July 2015, the City entered into a public property finance contract with Government Capital for the purchase of a vehicle. The agreement requires five annual payments of \$6,222, including interest at 2.90%, beginning in October 2015. The agreement is secured by ad valorem taxes to be levied annually by the City. The agreement was paid off in October 2019.

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

Long-term debt activity for the fiscal year is as follows:

	BEGINNING BALANCE	DEBT ISSUED	REPAYMENTS	ENDING BALANCE	CURRENT PORTION
GOVERNMENTAL ACTIVITIES:					
2008 Tax & Revenue Certificates Payabl	\$ 170,000	\$ 0	\$ 15,000	\$ 155,000	\$ 16,000
TOTAL	<u>\$ 170,000</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 155,000</u>	<u>\$ 16,000</u>
BUSINESS-TYPE ACTIVITIES:					
Finance Contract	\$ 6,033	\$ 27,354	\$ 6,033	\$ 27,354	\$ 4,924
2013 Certificates of Obligation	491,000	0	24,000	467,000	25,000
TOTAL	<u>\$ 497,033</u>	<u>\$ 27,354</u>	<u>\$ 30,033</u>	<u>\$ 494,354</u>	<u>\$ 29,924</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Future debt maturities are as follows:

Certificates of Obligation

<u>Year</u>	Governmental Type Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,000	\$ 7,409	\$ 25,000	\$ 18,044
2022	17,000	6,644	26,000	17,031
2023	18,000	5,832	28,000	15,960
2024	19,000	4,971	29,000	14,828
2025	20,000	4,063	30,000	13,657
2026-2030	65,000	6,309	168,000	49,148
2031-2034	0	0	161,000	13,121
Total	\$ <u>155,000</u>	\$ <u>35,228</u>	\$ <u>467,000</u>	\$ <u>141,789</u>

Finance Contract

<u>Year</u>	Governmental Type Activities		Business Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 0	\$ 0	\$ 4,924	1,391
2022	0	0	5,210	1,105
2023	0	0	5,466	849
2024	0	0	5,736	579
2025	0	0	6,018	297
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>27,354</u>	\$ <u>4,221</u>

NOTE 8: RETIREMENT PLAN:

A. Plan Description

The City participates as one of 888 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) can be obtained at www.TMRS.com.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

All eligible employees of the City are required to participate in TMRS.

The City joined TMRS in March 2014.

B. Benefits provided

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

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

The City has adopted the following plan provisions:

	Plan Year <u>2019</u>	Plan Year <u>2020</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5 or 0/20	60/5 or 0/20

At the December 31, 2019, valuation and measurement date, the following number of employees covered by the benefit terms was:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>4</u>
	<u>10</u>

C. Contributions

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

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.06% and 3.27% for the calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020, were \$7,535 and were equal to the required contributions.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

D. Net Pension Liability or Assets

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

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

Discount Rate:

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Changes in Net Pension Asset:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2018	\$ 82,585	\$ 64,339	\$ 18,246
Service Cost	15,693	-	15,693
Interest	5,667	-	5,667
Changes to Benefit Terms	0	-	0
Differences between expected and actual results	(4,784)	-	(4,784)
Changes in Assumptions	530	-	530
Contributions - employer	-	7,356	(7,356)
Contributions - employee	-	11,677	(11,677)
Net investment income	-	10,017	(10,017)
Benefit Payments, including refunds of employee contributions	(12,946)	(12,946)	0
Administrative expense	-	(56)	56
Other	-	(1)	1
Net Changes	<u>4,160</u>	<u>16,047</u>	<u>(11,887)</u>
Balance at December 31, 2019	\$ <u>86,745</u>	\$ <u>80,386</u>	\$ <u>6,359</u>

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

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ <u>20,026</u>	\$ <u>6,359</u>	\$ <u>(4,789)</u>

Pension Plan Fiduciary Net Position:

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

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, the City recognized pension expense of \$4,934. This pension expense is allocated between the funds based on actual wages paid by each fund during the fiscal year.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual economic experience	\$ 0	\$ 1,701	\$ (1,701)
Differences in assumptions	1,516	0	1,516
Differences between projected and actual investment earnings	0	2,179	(2,179)
To be recognized in the future	<u>1,516</u>	<u>3,880</u>	<u>\$ (2,364)</u>
Contributions subsequent to the measurement date	6,239	0	6,239
Total	<u>\$ 7,755</u>	<u>\$ 3,880</u>	<u>\$ 3,875</u>

The \$6,239 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2020	\$	(570)
2021		(568)
2022		(6)
2023		(1,170)
2024		(66)
Thereafter		16
	\$	<u>(2,364)</u>

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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

A: Benefit Plan Description

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

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

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

At the December 31, 2019, valuation and measurement date, the following number of employees were covered by the SBDF benefit plan:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>4</u>
	5

B: Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2019, and the Total OPEB Liability was determined by actuarial valuation as of that date.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.75%
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, 2019.

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.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

Changes in Total OPEB Liability:

Balance at December 31, 2018	\$	4,696
Changes for the year		
Service Cost		794
Interest on Total OPEB Liability		189
Differences between expected and actual results		(1,089)
Changes in assumptions or other inputs		1,227
Benefit Payments *		0
Net Changes		1,121
Balance at December 31, 2019	\$	5,817

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

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

The following presents the Total OPEB liability of the City, calculated using the discount rate of 32.75%, as well as what the City’s Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ <u>7,457</u>	\$ <u>5,817</u>	\$ <u>4,630</u>

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

For the year ended September 30, 2020, the City recognized OPEB expense of 1,154.

CITY OF NEWARK, TX

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 433	\$ 0	\$ 433
Differences in assumptions	952	0	952
To be recognized in the future	1,385	0	\$ 1,385
Contributions subsequent to the measurement date	20	0	20
Total	\$ 1,405	\$ 0	\$ 1,405

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021. 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,	
2020	\$ 171
2021	171
2022	171
2023	171
2024	171
Thereafter	530
	\$ 1,385

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, 2020, through the date the financial statement were available to be issued. During this period there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWARK, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
RESOURCES (INFLOWS):				
TAX REVENUES				
Property Taxes	319,424	\$ 322,814	\$ 321,826	\$ (988)
Sales Taxes	70,000	95,506	102,505	6,999
Franchise Fees	40,000	42,473	42,484	11
TOTAL TAX REVENUES	429,424	460,793	466,815	6,022
MUNICIPAL COURT FINES & FEES	18,800	13,214	13,214	0
INTERGOVERNMENTAL:				
Library Grants	27,903	50,544	50,544	0
TOTAL INTERGOVERNMENTAL	27,903	50,544	50,544	0
CHARGES FOR SERVICES				
Library Fees	200	44	598	554
Garbage Collection Net of Expense	11,400	4,987	15,074	10,087
TOTAL CHARGES FOR SERVICES	11,600	5,031	15,672	10,641
LICENSE & PERMITS				
Building Permits	15,000	17,895	17,895	0
Animal Registration	200	182	182	0
TOTAL LICENSES & PERMITS	15,200	18,077	18,077	0
DONATIONS/GRANTS				
Donations- Fire Department	0	0	321	321
TOTAL DONATIONS/GRANTS	0	0	321	321
OTHER REVENUES				
Cell Tower Rental	20,000	22,095	22,096	1
Conduit Loan Fees	15,000	12,000	12,000	0
Other Income	100	97	5,471	5,374
Gas Lease Income	2,000	1,189	1,189	0
TOTAL OTHER REVENUES	37,100	35,381	40,756	5,375
INVESTMENT INCOME	0	0	1,423	1,423
TOTAL RESOURCES	540,027	\$ 583,040	\$ 606,822	\$ 23,782

CITY OF NEWARK, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

CHARGES TO APPROPRIATIONS:	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
ADMINISTRATION:				
Salaries & Wages	47,840	55,176	55,176	0
Payroll Taxes	3,708	4,300	4,445	(145)
Retirement	1,565	1,746	1,686	60
Health Insurance	11,900	12,928	12,890	38
Audit Services	7,500	7,500	7,500	0
Legal Services	20,000	50,587	21,409	29,178
Tax Collection Fees	7,000	6,265	6,265	0
Building Inspection Fees	7,000	8,208	8,742	(534)
Building Maintenance	4,000	3,390	4,874	(1,484)
Codification Services	2,500	2,333	2,333	0
Computer Expense	7,000	7,930	7,930	0
Dues & Subscriptions	1,000	907	907	0
Election	7,000	2,197	2,197	0
Insurance	5,500	5,088	5,088	0
Office Supplies, Copier, Postage & Other Exp.	8,300	6,984	6,659	325
Public Notices	1,700	1,575	1,575	0
Telephone & Utilities	9,800	9,554	9,893	(339)
Travel & Training	500	396	396	0
TOTAL ADMINISTRATION	153,813	187,064	159,965	27,099
PUBLIC SAFETY:				
Animal Control	4,800	731	991	(260)
Police-Contract Labor	65,000	43,231	43,231	0
Insurance	1,500	2,350	2,350	0
Judge & Prosecutor	20,000	17,034	13,450	3,584
Salary & Wages-Municipal Court	22,300	21,850	21,850	0
Payroll Taxes-Municipal Court	1,612	1,644	1,658	(14)
Retirement-Municipal Court	680	647	647	0
Health Insurance-Municipal Court	5,950	5,750	5,761	(11)
Supplies & Software	7,400	9,451	9,451	0
Training	500	90	90	0
Code Enforcement	20,000	12,591	12,591	0
TOTAL PUBLIC SAFETY	149,742	115,369	112,070	3,299
FIRE DEPARTMENT:				
Fire Protection Services	8,000	8,000	8,000	0
TOTAL FIRE DEPARTMENT	8,000	8,000	8,000	0
PARKS:				
Supplies & Maintenance	800	3,470	3,470	0
Utilities	600	134	308	(174)
TOTAL PARKS	1,400	3,604	3,778	(174)

CITY OF NEWARK, TEXAS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended September 30, 2020

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
PUBLIC WORKS:				
Salaries & Wages	32,136	31,281	31,281	0
Payroll Taxes	2,491	2,453	2,486	(33)
Retirement	1,051	711	711	0
Health Insurance	11,900	8,545	8,429	116
Engineer	5,000	4,452	4,452	0
Insurance	7,400	3,845	3,845	0
Street Lights	11,000	13,025	13,572	(547)
Street Maintenance	3,500	4,429	5,416	(987)
Mowing	36,000	36,150	36,150	0
Equipment Maintenance	2,000	2,329	2,329	0
TOTAL PUBLIC WORKS	112,478	107,220	108,671	(1,451)
LIBRARY:				
Salaries & Wages	22,496	34,308	34,308	0
Payroll Taxes	1,744	2,628	2,845	(217)
Retirement	736	900	969	(69)
Health Insurance	11,900	10,681	10,643	38
Books, DVD's and Subscriptions	3,300	2,431	2,692	(261)
Supplies	1,400	2,138	2,750	(612)
Building Maintenance	1,000	399	1,329	(930)
Events	2,600	1,462	1,462	0
Telephone & Utilities	5,900	4,862	5,094	(232)
Security	372	406	406	0
TOTAL LIBRARY	51,448	60,215	62,498	(2,283)
TOTAL APPROPRIATIONS	476,881	481,472	454,982	26,490
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS AND CAPITAL OUTLAY	63,146	\$ 101,568	\$ 151,840	\$ 50,272
CAPITAL OUTLAY:				
Administration	0	(1,200)	(1,200)	0
Library	0	(1,200)	(1,200)	0
Parks	(20,000)	(5,625)	(5,625)	0
Streets	(40,000)	(42,020)	(46,800)	(4,780)
Police	0	(1,792)	(1,792)	0
TOTAL CAPITAL OUTLAY	(60,000)	(51,837)	(56,617)	(4,780)
TRANSFER TO WATER & SEWER FUND				
For Capital Improvements	0	0	(95,000)	(95,000)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,146	49,731	223	\$ (49,508)
BUDGETARY FUND BALANCE:				
BEGINNING OF YEAR	418,422	\$ 418,422	\$ 418,422	
END OF YEAR	421,568	\$ 468,153	\$ 418,645	

CITY OF NEWARK, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 15,693	15,808	14,688	14,171	9,904	7,192
Interest (on the Total Pension Liability)	5,667	4,955	4,099	2,968	1,853	1,192
Changes in benefit terms	0	0	0	0	0	13,737
Difference between expected and actual experience	(4,784)	1,593	(6)	745	1,451	0
Change of assumptions	530	0	0	0	2,153	0
Benefit payments, including refunds of employee contributions	(12,946)	(10,547)	(2,769)	0	0	(602)
NET CHANGE IN TOTAL PENSION LIABILITY	4,160	11,809	16,012	17,884	15,361	21,519
TOTAL PENSION LIABILITY - BEGINNING	82,585	70,776	54,764	36,880	21,519	0
TOTAL PENSION LIABILITY - ENDING (a)	\$ 86,745	82,585	70,776	54,764	36,880	21,519
PLAN FIDUCIARY NET POSITION						
Contributions - Employer	\$ 7,356	6,034	6,846	6,975	5,177	3,199
Contributions - Employee	11,677	11,133	10,832	10,158	7,481	5,432
Net investment income	10,017	(1,795)	5,461	1,406	12	0
Benefit payments, including refunds of employee contributions	(12,946)	(10,547)	(2,769)	0	0	(602)
Administrative expense	(56)	(34)	(28)	(16)	(9)	0
Other	(1)	(4)	(2)	(1)	0	0
NET CHANGE IN PLAN FIDUCIARY NET POSITION	16,047	4,787	20,340	18,522	12,661	8,029
PLAN NET FIDUCIARY POSITION - BEGINNING	64,339	59,552	39,212	20,690	8,029	0
PLAN NET FIDUCIARY POSITION - ENDING (b)	\$ 80,386	64,339	59,552	39,212	20,690	8,029
NET PENSION LIABILITY (a) - (b)	\$ 6,359	18,246	11,224	15,552	16,190	13,490
Plan Fiduciary Net Position as a percentage of Total Pension Liability	92.67%	77.91%	84.14%	71.60%	56.10%	37.31%
Covered employee payroll	\$ 233,534	222,650	216,633	205,675	149,610	108,634
Net Pension Asset as a percentage of covered payroll	2.72%	8.19%	5.18%	7.56%	10.82%	12.42%

CITY OF NEWARK, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

September 30,

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 7,556	7,640	6,328	7,263	6,679	4,720
Contributions in relation to the actuarially determined contribution	7,556	7,640	6,328	7,263	6,679	4,720
Contribution deficiency (excess)	0	0	0	0	0	0
Covered employee payroll	252,799	241,856	217,632	220,211	200,526	135,192
Contributions as a percentage of covered employee payroll	2.99%	3.16%	2.91%	3.30%	3.33%	3.49%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	10 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 Generational 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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

September 30, 2020

Plan Year	2019	2018	2017
TOTAL OPEB LIABILITY			
Total OPEB Liability Beginning of Year	\$ 4,696	2,587	1,629
Changes for the year			
Service Cost	794	690	607
Interest on Total OPEB Liability	189	97	73
Changes in benefit terms	0	0	0
Difference between expected and actual experience	(1,089)	1,731	0
Change of assumptions or other inputs	1,227	(409)	278
Benefit payments	0	0	0
NET CHANGE IN OPEB LIABILITY	<u>1,121</u>	<u>2,109</u>	<u>958</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u>\$ 5,817</u>	<u>4,696</u>	<u>2,587</u>
Covered employee payroll	\$ 233,534	222,650	216,633
OPEB Liability as a percentage of covered payroll	2.49%	2.11%	1.19%

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

OTHER SUPPLEMENTARY INFORMATION

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

For the Years Ended September 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
RESOURCES (INFLOWS):			
TAX REVENUES			
Property Taxes	\$ 368,851	\$ 340,905	\$ 323,265
Sales Taxes	102,505	75,090	70,125
Municipal Development District Sales Taxes	48,263	35,173	31,881
Franchise Fees	42,484	46,428	44,889
TOTAL TAX REVENUES	<u>562,103</u>	<u>497,596</u>	<u>470,160</u>
MUNICIPAL COURT FINES & FEES	<u>13,214</u>	<u>11,039</u>	<u>16,398</u>
INTERGOVERNMENTAL:			
Library Grants	50,544	39,103	27,891
TOTAL INTERGOVERNMENTAL	<u>50,544</u>	<u>39,103</u>	<u>27,891</u>
CHARGES FOR SERVICES			
Library Fees	598	219	1,157
Garbage Collection Net of Expense	15,074	14,924	0
TOTAL CHARGES FOR SERVICES	<u>15,672</u>	<u>15,143</u>	<u>1,157</u>
LICENSE & PERMITS			
Building Permits	17,895	23,332	15,952
Animal Registration	182	205	594
TOTAL LICENSES & PERMITS	<u>18,077</u>	<u>23,537</u>	<u>16,546</u>
DONATIONS/GRANTS			
Donations- Fire Department	321	60	49
Donations-Library	0	0	20
TOTAL DONATIONS/GRANTS	<u>321</u>	<u>60</u>	<u>69</u>
OTHER REVENUES			
Cell Tower Rental	22,096	20,552	19,888
Conduit Loan Fees	12,000	30,000	62,481
Other Income	5,471	181	273
Gas Lease Income	1,189	2,084	2,134
TOTAL OTHER REVENUES	<u>40,756</u>	<u>52,817</u>	<u>84,776</u>
INVESTMENT INCOME	<u>1,423</u>	<u>1,898</u>	<u>1,155</u>
TOTAL RESOURCES	<u>\$ 702,110</u>	<u>\$ 641,193</u>	<u>\$ 618,152</u>

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

For the Years Ended September 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CHARGES TO APPROPRIATIONS:			
ADMINISTRATION:			
Salaries & Wages	55,176	49,496	98,423
Payroll Taxes	4,445	3,698	7,818
Retirement	1,686	1,451	2,858
Health Insurance	12,890	13,253	22,995
Audit Services	7,500	7,500	7,500
Legal Services	21,409	41,142	19,691
Tax Collection Fees	6,265	5,302	5,147
Building Inspection Fees	8,742	4,565	4,811
Building Maintenance	4,874	2,995	6,540
Codification Services	2,333	2,200	1,795
Computer Expense	7,930	8,499	7,007
Community Center-Enhancement Project	0	0	38,145
Dues & Subscriptions	907	905	984
Election	2,197	0	1,963
Insurance	5,088	5,101	5,178
Office Supplies, Copier, Postage & Other Exp.	6,659	8,282	6,406
Public Notices	1,575	1,145	2,024
Telephone & Utilities	9,893	9,284	9,326
Travel & Training	396	324	2,180
Debt Service	23,130	23,832	23,514
TOTAL ADMINISTRATION	183,095	188,974	274,305
PUBLIC SAFETY:			
Animal Control	991	3,147	5,070
Police-Contract Labor	43,231	35,495	28,116
Insurance	2,350	2,479	2,876
Judge & Prosecutor	13,450	11,051	33,181
Salary & Wages-Municipal Court	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	5,761	5,597	4,376
Supplies & Software	9,451	8,078	5,021
Training	90	40	1,241
Code Enforcement	12,591	27,372	16,574
TOTAL PUBLIC SAFETY	112,070	117,287	118,979
FIRE DEPARTMENT:			
Fire Protection Services	8,000	8,000	8,000
TOTAL FIRE DEPARTMENT	8,000	8,000	8,000
PARKS:			
Supplies & Maintenance	3,470	392	219
Hovey House Demolition	308	18,320	0
TOTAL PARKS	3,778	18,712	219

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

For the Years Ended September 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
PUBLIC WORKS:			
Salaries & Wages/Contract Labor	31,281	28,897	24,770
Payroll Taxes	2,486	2,255	1,621
Retirement	711	663	188
Health Insurance	8,429	7,427	4,296
Engineering	4,452	950	0
Insurance	3,845	3,910	0
Street Lights	13,572	10,602	14,856
Street Maintenance	5,416	3,446	838
Mowing	36,150	36,415	10,732
Equipment Maintenance	2,329	2,665	2,463
TOTAL PUBLIC WORKS	<u>108,671</u>	<u>97,230</u>	<u>59,764</u>
LIBRARY:			
Salaries & Wages	34,308	29,558	26,742
Payroll Taxes	2,845	2,255	2,403
Retirement	969	986	0
Health Insurance	10,643	1,566	0
Books and Supplies	2,692	3,810	2,696
Supplies	2,750	5,009	3,575
Building Maintenance	1,329	300	1,297
Events	1,462	4,015	2,295
Telephone & Utilities	5,094	3,639	4,190
Security	406	371	319
TOTAL LIBRARY	<u>62,498</u>	<u>51,509</u>	<u>43,517</u>
TOTAL APPROPRIATIONS	<u>478,112</u>	<u>481,712</u>	<u>504,784</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS AND CAPITAL OUTLAY	\$ 223,998	\$ 159,481	\$ 113,368
CAPITAL OUTLAY:			
Administration	(1,200)	0	(5,439)
Municipal Court	0	0	(3,591)
Library	(1,200)	0	0
Parks	(5,625)	(29,802)	0
Police	(1,792)	0	0
Public Works	(46,800)	(47,642)	0
TOTAL CAPITAL OUTLAY	(56,617)	(77,444)	(9,030)
OTHER SOURCES (USES)			
Transfer to Water & Sewer	<u>(116,195)</u>	<u>(21,457)</u>	<u>(21,920)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 51,186	\$ 60,580	\$ 82,418

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

For the Year Ended September 30, 2020, 2019 & 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES:			
CHARGES FOR SERVICES			
Water & Sewer	\$ 424,603	\$ 334,829	\$ 352,052
Garbage	0	0	95,347
Tap Fees	0	2,700	3,000
Late Charges	5,869	10,979	10,897
Reconnect Fees	2,917	4,372	7,224
TOTAL OPERATING REVENUES	433,389	352,880	468,520
OPERATING EXPENSES			
PERSONNEL			
Salary & Wages	135,117	127,445	115,303
Health Insurance	24,603	27,319	25,019
Retirement	3,042	4,096	3,191
Payroll Taxes	10,603	9,483	9,242
TOTAL PERSONNEL	173,365	168,343	152,755
PROFESSIONAL FEES			
Engineering	0	950	840
Master Plan	0	30,000	0
TOTAL PROFESSIONAL FEES	0	30,950	840
SUPPLIES & CONTRACT SERVICES			
Electricity	33,908	33,861	31,921
Garbage Collection	0	0	79,729
Insurance	9,000	7,820	13,326
IT Software & Support	8,236	15,164	1,640
Lab Fees	18,946	20,691	18,416
Office Supplies	564	505	287
Other Expenses	1,882	1,911	1,410
Permits & Inspections	3,359	3,309	3,309
Postage	2,666	3,163	2,520
Supplies	7,051	5,317	12,359
Telephone	2,786	3,062	4,591
Training	1,046	0	699
Vehicle Expenses	5,808	10,247	8,383
TOTAL SUPPLIES & CONTRACT SERVICES	95,252	105,050	178,590
REPAIRS & MAINTENANCE			
Lift Station Expense	20,278	0	0
Supplies & Equipment	2,946	4,559	3,693
Sewer System	28,084	19,186	17,413
Water System	32,233	25,518	17,508
TOTAL REPAIRS & MAINTENANCE	83,541	49,263	38,614
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	352,158	353,606	370,799
OPERATING INCOME BEFORE DEPRECIATION	81,231	(726)	97,721

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

For the Year Ended September 30, 2020, 2019 & 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
DEPRECIATION	<u>170,663</u>	<u>164,016</u>	<u>163,135</u>
OPERATING INCOME	<u>(89,432)</u>	<u>(164,742)</u>	<u>(65,414)</u>
NON-OPERATING REVENUES & (EXPENSES):			
Investment Income	0	0	128
Interest Expense	<u>(19,997)</u>	<u>(19,748)</u>	<u>(20,336)</u>
TOTAL NON-OPERATING REVENUES & (EXPENSES)	<u>(19,997)</u>	<u>(19,748)</u>	<u>(20,208)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS & TRANSFERS	<u>(109,429)</u>	<u>(184,490)</u>	<u>(85,622)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Grants	281,975	30,375	0
Transfers from General Fund for Capital Improvements	95,000	0	0
Transfers from Debt Service Fund	<u>21,195</u>	<u>21,457</u>	<u>21,920</u>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>398,170</u>	<u>51,832</u>	<u>21,920</u>
CHANGE IN NET POSITION	<u>\$ 288,741</u>	<u>\$ (132,658)</u>	<u>\$ (63,702)</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS

To the City Council
City of Newark, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Newark as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the City of Newark's basic financial statements, and have issued my report thereon dated July 15, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Newark's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newark's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Newark's internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance

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

Purpose of this Report

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

William C. Spore, P.C.

Keller, Texas
July 15, 2021