



CITY OF NEWARK  
UTILITY USERS' TAX FUND  
NEWARK, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2025

BASIC FINANCIAL STATEMENTS

Focused  
on YOU



CITY OF NEWARK  
UTILITY USERS' TAX FUND  
NEWARK, CALIFORNIA  
Basic Financial Statements  
For the Year Ended June 30, 2025

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UTILITY USERS' TAX FUND  
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Basic Financial Statements  
For the Year Ended June 30, 2025

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Newark, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Utility Users' Tax Fund (the "UUT Fund") of the City of Newark, California, (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the UUT Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the UUT Fund of the City as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the Utility Users' Tax Fund agreement which requires that financial statements present only the activities pertaining to the program, and does not purport to present fairly, the financial position of the City as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Responsibilities of Management for the Financial Statements***

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



To the Honorable Mayor and Members of the City Council  
City of Newark, California

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

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



To the Honorable Mayor and Members of the City Council  
City of Newark, California

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the City's internal control over the UUT Fund's 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's internal control over the UUT Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over the UUT Fund's financial reporting and compliance.

*LSL, LLP*

Sacramento, California  
December 19, 2025

CITY OF NEWARK  
UTILITY USERS' TAX FUND  
Balance Sheet  
June 30, 2025

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**Assets**

Cash and investments	\$ 21,776,189
Taxes receivable	<u>618,553</u>
<b>Total Assets</b>	<b><u><u>\$ 22,394,742</u></u></b>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable	<u>\$ 21</u>
<b>Total Liabilities</b>	<b><u>21</u></b>

**Fund Balance**

Unassigned	<u>22,394,721</u>
<b>Total Fund Balance</b>	<b><u>22,394,721</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 22,394,742</u></u></b>

**CITY OF NEWARK**  
**UTILITY USERS' TAX FUND**  
**Statements of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2025**

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**Revenues**

Utility Users Tax	<u>\$ 4,815,242</u>
<b>Total Revenues</b>	<b><u>4,815,242</u></b>
Net Change in Fund Balance	4,815,242
Fund Balance, Beginning of Year	<u>17,579,479</u>
<b>Fund Balance, End of Year</b>	<b><u><u>\$ 22,394,721</u></u></b>

**CITY OF NEWARK  
UTILITY USERS' TAX FUND  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2025**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

All transactions of the Utility Users' Tax Fund (the "UUT Fund") are reported in a separate fund of the City of Newark, California (the "City"). The fund is included as a sub fund of the General Fund in the basic financial statements of the City. The UUT Fund is used to account for the City's revenues earned and expenditures incurred according to the Utility Users' Tax Ordinance of the City of Newark. The accompanying financial statements are for the Utility Users' Tax Fund only and are not intended to fairly present the financial position of the City.

**B. Basis of Accounting and Measurement Focus**

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available (60 days), and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**C. Fund Accounting**

The operations of the UUT Fund are accounted for as part of the General Fund. Funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

**D. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**E. Revenues and Receivables**

During the course of normal operations, the fund carries a receivable balance for utility users' tax. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The UUT Fund reported \$618,553 of taxes receivable as of June 30, 2025.

**NOTE 2: UTILITY USERS' TAX**

A utility users' tax is imposed upon every person in the City using telecommunication services (including landline telephone and cell phone services), video services (including cable television), and electricity and gas consumption. The tax rate for services mentioned was 3.5% until December 31, 2015, and decreased to 3.25% effective January 1, 2016 and continued at that rate for five years. On November 3, 2020, Newark voters approved an extension of the City's existing 3.25% tax rate for nine more years, starting January 1, 2020, and ending December 31, 2029. Water, sewer, and garbage utilities are not taxed. In addition, internet service and satellite television are not taxed.

**CITY OF NEWARK  
UTILITY USERS' TAX FUND  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2025**

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**NOTE 3: CASH AND INVESTMENTS**

The UUT Fund's cash is pooled with the City's cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

The UUT Fund had the following cash and investments at June 30, 2025:

Cash and Investments \$21,776,189

**A. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the table below identifies the City's permitted investments. This table does not address investments held in the PARS Section 115 pension trust:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Credit Quality Requirements
California Local Agency Investment Fund	None	None	None
California Asset Management Program	None	None	None
Securities of the U.S. Government	5 years	None	None
Banker Acceptances	180 days	40%	None
Collateralized Certificates of Deposits	5 years	50%	None
Negotiable Certificates of Deposits	5 years	30%	None
Commercial Paper	270 days	None	A-1
Repurchase Agreements	1 year	50%	None
Reverse Repurchase Agreements	92 days	50%	None

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value using the aggregate method in all funds and component units. The City's investments are carried at fair market value as required by generally accepted accounting principles. The City accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the City's policy is to generally hold and buy investments until maturity dates.

*Public Agency Retirement Services – Section 115 Pension Trust* - In October 2024, the City Council authorized the establishment of a Section Pension Trust with the Public Agency Retirement Services (PARS). The trust is an irrevocable trust and is used to set aside funds for future pension contributions. In January 2025, the City contributed \$12,000,000 as an initial contribution to the trust and selected the Target Investment Balanced Strategy as the investment selection. As of June 30, 2025, the fair value of the trust was \$12,694,122.

**B. Risk Disclosures**

*Interest Risk* – Interest rate risk is the fluctuation in fair value of investments due to changes in interest rates. The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years.

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

*Credit Risk* – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City's exposure to credit risks.

*Custodial Credit Risk* – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**C. Local Agency Investment Fund**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2025, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2025, the City invested in LAIF, which had invested 3.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at cost which approximates fair value.

**D. California Asset Management Program**

The City also participates in the California Asset Management Program (CAMP). CAMP was established in 1989 and has been providing professional investment services to California public agencies. The CAMP pool is a permitted investment for all local agencies under California Government Code Section 53601(p). The pool is managed to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable net asset value of \$1.00. Like any type of investment, there are sever factors such as interest rate risk, market risk, etc. that could affect the pool's performance.

**NOTE 4: TAXES RECEIVABLE**

The taxes receivables represent the utility user's tax revenues for the fiscal year remitted by various utility providers after June 30, 2025.

**SUPPLEMENTARY INFORMATION**

**CITY OF NEWARK  
UTILITY USERS' TAX FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Utility Users Tax	\$ 4,459,000	\$ 4,459,000	\$ 4,815,242	\$ 356,242
Total Revenues	<u>4,459,000</u>	<u>4,459,000</u>	<u>4,815,242</u>	<u>356,242</u>
<b>Net Change in Fund Balance</b>	<u>\$ 4,459,000</u>	<u>\$ 4,459,000</u>	4,815,242	<u>\$ 356,242</u>
<b>Fund Balance</b>				
Beginning of Year			<u>17,579,479</u>	
End of Year			<u>\$ 22,394,721</u>	

**NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING**

The UUT Fund follows the City's budgetary procedures in establishing the budgetary data reflected in the financial statements:

1. Every other year, the City Manager submits to the City Council a proposed biennial operating budget for the two fiscal years commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by the City Council resolution prior to July 1<sup>st</sup> of even numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a department within the same fund.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities at that date.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts are as originally adopted or as amended by the City Council.



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

To the Honorable Mayor and Members of the City Council  
City of Newark, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Utility Users Tax Funs (the "UUT Fund") of the City of Newark, California (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the UUT Fund's basic financial statements, and have issued our report thereon dated December 19, 2025.

### Report on Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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



To the Honorable Mayor and Members of the City Council  
City of Newark, California

**Purpose of This Report**

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

*LSL, LLP*

Sacramento, California  
December 19, 2025