

CITY OF NEWMAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009 AND 2008

CITY OF NEWMAN, CALIFORNIA

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CITY OF NEWMAN CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

To The City Council
City Of Newman
State of California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newman, State of California, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Newman's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Newman, as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on Pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2009 on our consideration of the City of Newman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of City of Newman, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Clendenin Bird & Company,

CLENDENIN BIRD & COMPANY, PC

Modesto, California

November 4, 2009

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The following discussion provides readers of the City of Newman's financial statements a narrative overview and analysis of the financial activities of the City of Newman for the fiscal year ended June 30, 2009. Please read this document in conjunction with the accompanying Basic Financial Statements.

The City of Newman (the City) has been impacted by the weakness in the economy in fiscal year 2009. Revenues as sales tax and property tax decreased. The City's financial highlights are presented below:

FISCAL YEAR 2009 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2009 include the following:

Entity-wide:

- The City's total net assets were \$31,976,608 as of June 30, 2009. Of this total, \$22,066,229 was Governmental assets and \$9,910,380 were Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$2,658,710 and general revenues and transfers of \$3,733,937 for a total of \$6,392,647.
- Entity-wide Governmental expenses were \$5,587,286.
- Entity-wide Business-type program revenues and interest revenue were \$3,128,214 while Business-type expenses and transfers were \$2,427,517.

Fund Level:

- Governmental Fund balances increased \$164,479 in fiscal year 2009
- Governmental Fund revenues decreased \$699,059 in fiscal year 2009.
- Governmental Fund expenditures decreased \$1,183,470 in fiscal year 2009.

General Fund:

- General Fund revenues of \$3,569,334 were \$402,536 less than the prior year.
- General Fund expenditures of \$4,043,934 represent an increase of \$206,989 over the prior year.
- General Fund balance of \$2,970,511 as of June 30, 2009, is down \$138,215 from the fiscal year 2008's fund balance of \$3,108,726.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into two parts:

- 1) Management's Discussion and Analysis (MD&A);
- 2) The Basic Financial Statements, which include the Entity-wide and the Fund Financial Statements, along with the Notes to these financial statements.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The Basic Financial Statements

The Basic Financial Statements comprise the Entity-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Entity-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations.

The Statement of Activities provides information about all of the City's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Government Activities and Business-type Activities, as explained below. The amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities for the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the Entity-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The Entity-wide Financial Statements

Entity-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental Activities – All of the City's basic services are considered to be governmental activities. These services are supported by general City revenues such as taxes, and by specific program revenues such as user fees and charges.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The City's governmental activities also include the activities of another separate legal entity, the Redevelopment Agency of the City of Newman. The City is financially accountable for this entity. Please refer to the separately issued financial statements.

- Business-type Activities – The City's enterprise activities of water and wastewater are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

In the City's case, there are three Major Governmental Funds in addition to the General Fund: The Debt Service Fund, Public Facility Improvement Fund and the 1997 Tax Allocation Bonds Fund. Both of the City's Enterprise Funds are reported as Major Funds.

Fund Financial Statements include governmental and proprietary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Proprietary Funds Financial Statements are prepared on the full accrual basis, as in the past, and include all of their assets and liabilities, current and long-term.

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by GASB Statement 34.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities, while Tables 4 and 5 focus on the City's Business-type Statement of Net Assets and Statement of Activities.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2009

	Governmental Activities 2009	Governmental Activities 2008
Cash and investments	11,923,454	11,511,695
Other assets	4,970,934	4,960,535
Capital assets	<u>10,322,064</u>	<u>9,853,334</u>
Total assets	<u>27,216,452</u>	<u>26,325,564</u>
Long-term debt outstanding	2,888,970	3,047,999
Other liabilities	<u>2,261,253</u>	<u>2,016,697</u>
Total liabilities	<u>5,150,223</u>	<u>5,064,696</u>
Net assets:		
Invested in capital assets, net of debt	7,433,094	6,805,335
Restricted	11,123,935	10,981,730
Unrestricted	<u>3,509,200</u>	<u>3,473,803</u>
Total net assets	<u><u>22,066,229</u></u>	<u><u>21,260,868</u></u>

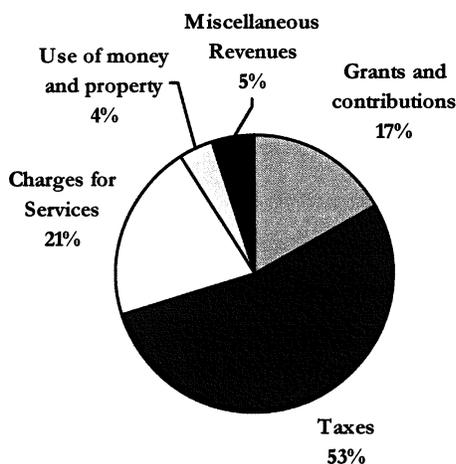
The City's governmental net assets amounted to \$22,066,229 as of June 30, 2009, an increase of \$805,361 over 2008. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2009 comprised the following:

- Cash and investments comprised \$11,645,566 in the city treasury and \$277,888 of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 2 to the financial statements.
- Receivables comprised \$313,953 of current receivables and loans receivable for \$4,602,786.
- Capital assets of \$10,322,064, net of depreciation charges, which includes all the City's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$2,163,997.
- Accrued compensated absence liabilities payable to employees of \$97,256, as explained in Note 1G to the financial statements.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)**

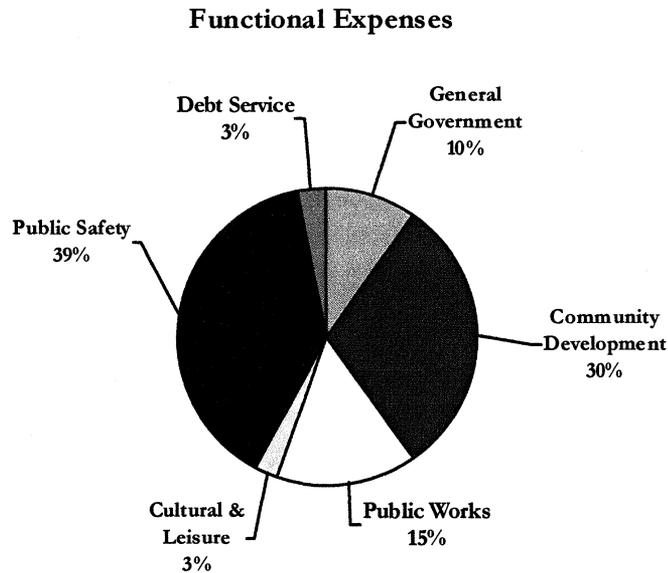
- Long-term debt of \$2,888,970 of which \$2,738,242 is due in future years and \$150,728 is due currently.
- Net assets invested in capital assets, net of related debt, of \$7,433,094, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$11,123,935, which may be used only to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds were placed there by outsiders and cannot be changed by the City.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had \$3,509,200 of unrestricted net assets as of June 30, 2009.

Sources of Revenues



As the Sources of Revenue Chart above shows, \$3,291,901, or 53%, of the City's fiscal year 2009 governmental activities revenue came from taxes, while \$1,046,758, or 17%, came from grants and contributions, \$1,448,073, or 21%, came from charges for services, and the remainder came from a variety of sources, as shown above.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)**



The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are now added to the City's capital assets. As the Chart shows, general government is \$544,992, or 10%, of total government expenses, community development and planning is \$1,688,867, or 30%, Public Safety is \$2,183,061, or 39%, Culture & Leisure is \$150,719, or 3%, and Debt Service is \$159,181 or 3%.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets

	<u>Governmental Activities</u> 2009
<u>Expenses</u>	
General government	544,992
Public Safety	2,183,061
Public Works	860,466
Community Development	1,688,867
Culture and Leisure	150,719
Interest on long term debt	<u>159,181</u>
Total expenses	<u>5,587,286</u>
<u>Revenues</u>	
<u>Program Revenues:</u>	
Charges for services	1,611,952
Operating grants and contributions	<u>1,046,758</u>
Total program revenues	<u>2,658,710</u>
<u>General revenues:</u>	
Taxes	3,291,901
Use of money and property	256,420
Other	<u>185,615</u>
Total general revenues	<u>3,733,936</u>
Total revenues	<u>6,392,646</u>
 <u>Change in net assets</u>	 <u>805,360</u>

As the Sources of Revenue Chart and Table 2 above show, \$3,733,936, or 58%, of the City's fiscal year 2009 governmental revenue, came from program revenues and \$2,658,710, or 42%, came from general revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$1,611,952, which include permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,046,758 of operating grants and contributions which include gas tax revenues and housing and police grants. General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 3 presents the net (expense) or revenue of each of the City's governmental activities, including interest on long-term debt. Net expense is defined as total program cost less the revenues generated by those specific activities.

Table 3
Governmental Activities

	<u>Net (Expense) Revenue From Services 2009</u>
General government	719,361
Public Safety	(1,980,667)
Public Works	316,220
Community Development	(1,673,590)
Culture and Leisure	(150,719)
Interest on Long-Term Debt	<u>(159,181)</u>
Totals	<u>(2,928,576)</u>

Business-type Activities

The Statement of Net Assets and Statement of Activities present a summary of the City's Business-type Activities that are composed of the City's enterprise funds.

Table 4
Business-Type Net Assets

	<u>Business-Type 2009</u>	<u>Business-Type 2008</u>
Cash and investments	7,506,981	6,965,372
Other assets	417,267	315,339
Capital assets	4,845,303	4,926,974
Total assets	<u>12,769,551</u>	<u>12,207,685</u>
Long-term debt outstanding	2,585,000	2,784,000
Other liabilities	274,171	264,051
Total liabilities	<u>2,859,171</u>	<u>3,048,051</u>
Net assets:		
Invested in capital assets, net of debt	2,260,303	2,142,974
Restricted	282,430	283,628
Unrestricted	<u>7,367,647</u>	<u>6,733,032</u>
Total net assets	<u>9,910,380</u>	<u>9,159,634</u>

The net assets of business-type activities increased to \$750,746 in fiscal year 2009.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)**

Analysis of Major Funds

Governmental Funds

General Fund

General Fund revenues decreased \$402,536 this fiscal year due primarily to decreases in tax revenue. Budgeted revenues exceeded actual amounts by \$27,813. Property taxes decreased \$76,328 as assessed valuations decreased due to falling real estate values. Charges for services were up \$153,384, due to increases in administrative fees, reimbursed salaries and other miscellaneous revenues.

General Fund expenditures were \$4,043,934, an increase of \$206,989 from the prior year. Expenditures were \$25,467 more than budgeted, primarily related to costs associated with General Government.

As of June 30, 2009, the General Fund's unreserved fund balance totaled \$2,970,511. The unreserved portion of fund balance represents available liquid resources.

CDBG Fund

This fund is used to account for grants received to loan out low income citizens for first time home purchases and/or housing rehabilitation projects. Also included in this fund are grant funds for the Valley Manor Housing project. Those funds were loaned out and are now reflected on our books as a long term loan receivable.

Public Facility Improvement Fund

This fund accounts for the improvement of public facilities funded by developer fees. In fiscal year 2009, the fund received \$150,638 in developer fees. Developer fee revenue decreased \$78,830 from the prior year due to a decrease in construction projects.

The fund's fiscal year end fund balance of \$4,096,640 represents developer fees that have not yet been expended on public facility projects and improvements.

Proprietary Funds

Water Fund

Revenues increased \$219,117 to a total of \$904,959 in fiscal year 2009 due to a raise in the rates charged. Expenses decreased \$117,106 to a total of \$859,218. There was a resulting operating income of \$45,741. As a result the fund's net assets decreased \$76,426, to a new total of \$2,841,836.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Sewer Fund

Net assets of the Sewer Fund increased \$827,172 in fiscal year 2009 to a total of \$7,068,544. This increase came from an increase in rates charged.

As of June 30, 2009, the fund's net assets were \$7,068,544, of which \$941,771 was invested in capital assets, net of related debt, \$282,430 is restricted for Debt Service and \$5,844,343 was unrestricted.

CAPITAL ASSETS

GASB Statement 34 requires the City to record all its capital assets including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2009, the City reported the cost of all its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2009 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 6 below:

Table 6
Capital Assets at Year-end

	<u>Balance at</u> <u>June 30, 2009</u>	<u>Balance at</u> <u>June 30, 2008</u>
<u>Governmental Activities</u>		
Land	3,360,205	3,360,205
Streets and Roads	3,506,657	3,418,393
Buildings	3,661,285	3,601,445
Construction In Progress	636,870	16,330
Equipment	2,483,749	2,504,799
Accumulated depreciation	<u>(3,326,702)</u>	<u>(3,047,840)</u>
Governmental activity capital assets, net	<u>10,322,064</u>	<u>9,853,332</u>
<u>Business-type Activities</u>		
Land And Construction In Progress	1,537,813	1,460,000
Buildings	107,565	107,565
Plant and Equipment	7,086,422	7,048,231
Accumulated depreciation	<u>(3,886,497)</u>	<u>(3,688,823)</u>
Business-type activity capital assets, net	<u>4,845,303</u>	<u>4,926,973</u>

Detail on capital assets, current year additions and construction in progress can be found in Note D.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2009
(Unaudited)**

The City depreciates all its capital assets over their estimated useful lives, as required by GASB Statement 34.

The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note D to the financial statements.

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2009. The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note 5 to the financial statements. As of June 30, 2009, the City's debt comprised:

Table 7
Outstanding Debt

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Governmental Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1997 Tax allocation and housing, 5.375%-6.200%, due 8/1/27	2,735,000	2,860,000
<u>Other Long Term Obligations:</u>		
Note, 5%, due 9/26/12	<u>153,970</u>	<u>187,999</u>
Total Governmental Activity Debt	<u>2,888,970</u>	<u>3,047,999</u>
<u>Business-type Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1991 Sewer treatment facility, 4.50%-6.74%, due 5/1/18	1,980,000	2,150,000
<u>Revenue Bonds:</u>		
1982 Water Revenue Bonds, Series B, 5.00%, due in 2022	<u>605,000</u>	<u>634,000</u>
Total Business-type Activity Debt:	<u>2,585,000</u>	<u>2,784,000</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the City of Newman, at 1162 Main Street, Newman, CA 95360.

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CITY OF NEWMAN
STATEMENTS OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008

	Primary Government		Totals	
	Governmental Activities	Proprietary Activities	2009	2008
ASSETS				
Cash And Investments	11,645,566	7,224,551	18,870,117	17,905,644
Cash With Fiscal Agent	277,888	282,430	560,318	571,423
Accounts Receivable	313,953	417,267	731,220	732,803
Loans Receivable	4,602,786	0	4,602,786	4,501,981
Prepaid Expenses	54,195	0	54,195	41,090
Capital Assets (Net Of Accumulated Depreciation):				
Land	3,360,205	1,460,000	4,820,205	4,820,206
Construction In Progress	636,870	77,813	714,683	16,330
Buildings And Improvements	2,316,704	3,094,544	5,411,248	5,601,017
Equipment And Vehicles	1,050,642	26,218	1,076,860	1,163,386
Infrastructure	2,957,643	186,728	3,144,371	3,179,369
Total Assets	<u>27,216,452</u>	<u>12,769,551</u>	<u>39,986,003</u>	<u>38,533,249</u>
LIABILITIES				
Accounts Payable And Other				
Current Liabilities	2,157,546	226,746	2,384,293	2,119,972
Compensated Absences	103,707	47,425	151,132	160,776
Long-Term Liabilities:				
Due Within One Year	150,728	211,000	361,728	365,030
Due In More Than One Year	<u>2,738,242</u>	<u>2,374,000</u>	<u>5,112,242</u>	<u>5,466,969</u>
Total Liabilities	<u>5,150,223</u>	<u>2,859,171</u>	<u>8,009,395</u>	<u>8,112,747</u>
NET ASSETS				
Invested In Capital Assets				
Net Of Related Debt	7,433,094	2,260,303	9,693,397	8,948,309
Restricted For:				
Capital Projects	4,697,048	0	4,697,048	4,236,719
Community Development Projects	5,527,148	0	5,527,148	6,298,186
Debt Service	899,739	282,430	1,182,169	730,453
Unrestricted	<u>3,509,200</u>	<u>7,367,647</u>	<u>10,876,846</u>	<u>10,206,835</u>
Total Net Assets	<u>22,066,229</u>	<u>9,910,380</u>	<u>31,976,608</u>	<u>30,420,502</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	544,992
Public Safety	2,183,061
Public Works	860,466
Community Development	1,688,867
Culture And Leisure	150,719
Interest on Long-Term Debt	159,181
Total Governmental Activities	<u>5,587,286</u>
Business-Type Activities	
Water Services	890,193
Sewer Services	1,301,660
Total Business-Type Activities	<u>2,191,853</u>
Total Primary Government	<u><u>7,779,139</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets Primary Government				
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Proprietary Activities	Total		
					2009	2008	
1,264,353	0	0	719,361	0	719,361	928,566	
65,090	137,304	0	(1,980,667)	0	(1,980,667)	(1,730,735)	
274,382	0	902,304	316,220	0	316,220	(91,019)	
8,127	7,150	0	(1,673,590)	0	(1,673,590)	(1,633,423)	
0	0	0	(150,719)	0	(150,719)	(141,225)	
0	0	0	(159,181)	0	(159,181)	(167,580)	
<u>1,611,952</u>	<u>144,454</u>	<u>902,304</u>	<u>(2,928,576)</u>	<u>0</u>	<u>(2,928,576)</u>	<u>(2,835,416)</u>	
917,433	0	0	0	27,240	27,240	(268,669)	
<u>2,075,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>773,555</u>	<u>773,555</u>	<u>243,083</u>	
<u>2,992,648</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800,795</u>	<u>800,795</u>	<u>(25,586)</u>	
<u>4,604,600</u>	<u>144,454</u>	<u>902,304</u>	<u>(2,928,576)</u>	<u>800,795</u>	<u>(2,127,781)</u>	<u>(2,861,002)</u>	
General Revenues:							
Taxes:							
Property Tax			1,547,512	0	1,547,512	1,668,004	
Sales Tax			436,866	0	436,866	519,376	
Motor Vehicle Tax			762,863	0	762,863	953,042	
Franchise Tax			124,136	0	124,136	121,486	
Other Taxes			420,524	0	420,524	368,397	
Investment Earnings			256,420	135,566	391,986	808,901	
Transfers			185,615	(185,615)	0	0	
Total General Revenues And Transfers			<u>3,733,937</u>	<u>(50,049)</u>	<u>3,683,887</u>	<u>4,439,206</u>	
Change In Net Assets			805,361	750,746	1,556,106	1,578,204	
Net Assets - Beginning			<u>21,260,868</u>	<u>9,159,634</u>	<u>30,420,502</u>	<u>28,842,298</u>	
Net Assets - Ending			<u>22,066,229</u>	<u>9,910,380</u>	<u>31,976,608</u>	<u>30,420,502</u>	

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	<u>General</u>	<u>CDBG</u>	<u>Public Facility Improvement Fund</u>
Assets			
Cash And Investments	3,663,235	662,930	4,110,908
Cash with Fiscal Agent	0	0	0
Accounts Receivable	211,530	0	0
Loans Receivable	0	3,871,241	0
Prepaid Expenses	54,195	0	0
Total Assets	<u>3,928,960</u>	<u>4,534,171</u>	<u>4,110,908</u>
Liabilities			
Accounts Payable	335,530	1,741	14,268
Compensated Absences	0	0	0
Other Liabilities	622,919	0	0
Total Liabilities	<u>958,449</u>	<u>1,741</u>	<u>14,268</u>
Fund Balances			
Reserved	0	0	0
Unreserved	2,970,511	4,532,430	4,096,640
Total Fund Balances	<u>2,970,511</u>	<u>4,532,430</u>	<u>4,096,640</u>
Total Liabilities And Fund Balances	<u>3,928,960</u>	<u>4,534,171</u>	<u>4,110,908</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Capital Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2009	2008
832,614	154,891	2,220,988	11,645,566	11,223,900
277,888	0	0	277,888	287,795
0	0	102,423	313,953	417,464
580,045	0	151,500	4,602,786	4,501,981
0	0	0	54,195	41,090
<u>1,690,547</u>	<u>154,891</u>	<u>2,474,911</u>	<u>16,894,388</u>	<u>16,472,230</u>
164,818	0	137,162	653,519	430,175
6,078	0	372	6,450	0
0	770,563	110,546	1,504,028	1,476,143
<u>170,896</u>	<u>770,563</u>	<u>248,080</u>	<u>2,163,997</u>	<u>1,906,318</u>
0	0	0	0	0
<u>1,519,651</u>	<u>(615,672)</u>	<u>2,226,831</u>	<u>14,730,391</u>	<u>14,565,912</u>
<u>1,519,651</u>	<u>(615,672)</u>	<u>2,226,831</u>	<u>14,730,391</u>	<u>14,565,912</u>
<u>1,690,547</u>	<u>154,891</u>	<u>2,474,911</u>	<u>16,894,388</u>	<u>16,472,230</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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**CITY OF NEWMAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Total fund balances - governmental funds 14,730,391

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	3,360,205	
Construction In Progress	636,870	
Infrastructure net of \$426,273 accumulated depreciation	2,957,643	
Buildings and Improvements, net of \$1,235,131 accumulated depreciation	2,316,704	
Equipment and Vehicles, net of \$1,386,436 accumulated depreciation	<u>1,050,642</u>	
Total capital assets		10,322,064

Long-term liabilities applicable to the City's governmental activities are due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	(2,888,970)	
Compensated absences	<u>(97,256)</u>	
Total long-term liabilities		<u>(2,986,226)</u>

Total net assets - governmental activities		<u><u>22,066,229</u></u>
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**CITY OF NEWMAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	<u>General</u>	<u>CDBG</u>	<u>Public Facility Improvement Fund</u>
Revenues			
Property Tax	665,169	0	0
Sales Tax	436,866	0	0
Other Tax And Franchises	923,569	0	0
Licenses And Permits	89,176	0	0
Fines And Forfeitures	40,448	0	0
Investment Earnings	102,793	11,651	75,528
Intergovernmental	36,922	0	0
Impact Fees	0	0	150,638
Service Charges And Miscellaneous	1,274,390	0	0
Total Revenues	<u>3,569,334</u>	<u>11,651</u>	<u>226,166</u>
Expenditures			
Current			
General Government	461,172	0	0
Public Safety	2,046,896	0	0
Public Works	545,676	0	42,831
Community Development	849,348	12,976	0
Culture And Leisure	140,842	0	0
Debt Service			
Principal	0	0	11,910
Interest & Other Charges	0	0	3,283
Capital Outlay	0	0	14,268
Total Expenditures	<u>4,043,934</u>	<u>12,976</u>	<u>72,292</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(474,600)</u>	<u>(1,325)</u>	<u>153,874</u>
Other Financing Sources (Uses)			
Operating Transfers In	361,385	0	0
Operating Transfers Out	<u>(25,000)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>336,385</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	<u>(138,215)</u>	<u>(1,325)</u>	<u>153,874</u>
Fund Balance - Beginning	<u>3,108,726</u>	<u>4,533,755</u>	<u>3,942,766</u>
Fund Balance- Ending	<u><u>2,970,511</u></u>	<u><u>4,532,430</u></u>	<u><u>4,096,640</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2009	2008
882,343	0	0	1,547,512	1,668,004
0	0	0	436,866	519,376
0	0	383,954	1,307,523	1,442,925
0	0	10,179	99,355	187,107
0	0	0	40,448	33,150
22,037	2,819	41,592	256,420	535,112
0	0	1,009,836	1,046,758	818,950
0	10,314	35,010	195,962	253,394
0	53	1,744	1,276,187	1,448,073
<u>904,380</u>	<u>13,186</u>	<u>1,482,315</u>	<u>6,207,032</u>	<u>6,906,091</u>
0	0	70,649	531,821	408,451
0	0	35,089	2,081,985	1,828,643
0	0	71,858	660,365	716,069
580,805	0	184,784	1,627,913	1,939,580
0	0	0	140,842	131,345
125,000	0	22,120	159,030	152,412
149,800	0	6,098	159,181	167,580
30,180	0	822,583	867,031	2,067,558
<u>885,785</u>	<u>0</u>	<u>1,213,181</u>	<u>6,228,168</u>	<u>7,411,638</u>
<u>18,595</u>	<u>13,186</u>	<u>269,134</u>	<u>(21,136)</u>	<u>(505,547)</u>
0	0	408,962	770,347	710,002
<u>(178,347)</u>	<u>0</u>	<u>(381,385)</u>	<u>(584,732)</u>	<u>(666,546)</u>
<u>(178,347)</u>	<u>0</u>	<u>27,577</u>	<u>185,615</u>	<u>43,457</u>
<u>(159,752)</u>	<u>13,186</u>	<u>296,711</u>	<u>164,479</u>	<u>(462,090)</u>
<u>1,679,403</u>	<u>(628,858)</u>	<u>1,930,120</u>	<u>14,565,912</u>	<u>15,028,002</u>
<u>1,519,651</u>	<u>(615,672)</u>	<u>2,226,831</u>	<u>14,730,391</u>	<u>14,565,912</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds 164,479

The changes in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$867,031) exceeded depreciation (\$398,299) in the current period. 468,732

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets. 159,030

The recording of accrued compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities. 13,123

Changes in net assets of governmental activities 805,361

**CITY OF NEWMAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2008 Actual
	Original	Final			
REVENUES					
Property Tax	632,879	632,879	665,169	32,290	741,497
Sales Tax	520,000	495,000	436,866	(58,134)	519,376
Other Tax And Franchise Fees	1,055,000	925,000	923,569	(1,431)	1,111,140
Licenses And Permits	183,000	109,500	89,176	(20,324)	175,247
Intergovernmental	43,000	43,000	36,922	(6,078)	45,827
Fines And Forfeitures	24,000	35,800	40,448	4,648	33,150
Investment Earnings	110,000	110,000	102,793	(7,207)	224,627
Service Charges And Miscellaneous	<u>1,165,722</u>	<u>1,190,342</u>	<u>1,274,390</u>	<u>84,047</u>	<u>1,121,006</u>
Total Revenues	<u>3,733,601</u>	<u>3,541,521</u>	<u>3,569,334</u>	<u>27,813</u>	<u>3,971,870</u>
EXPENDITURES					
General Government	348,163	388,162	461,172	73,010	363,565
Public Safety	2,068,426	2,068,627	2,046,896	(21,731)	1,798,208
Public Works	593,630	559,330	545,676	(13,654)	643,256
Community Development	896,965	850,926	849,348	(1,578)	900,571
Recreation And Leisure	151,423	151,422	140,842	(10,580)	131,345
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>4,058,607</u>	<u>4,018,467</u>	<u>4,043,934</u>	<u>25,467</u>	<u>3,836,945</u>
Excess (Deficiency) Of Revenues Over Expenditures	(325,006)	(476,946)	(474,600)	2,346	134,925
OTHER FINANCING SOURCES (USES)					
Transfers In	370,154	370,154	361,385	(8,769)	222,892
Transfers Out	(25,000)	(25,000)	(25,000)	0	(200,000)
Total Other Financing Sources And (Uses)	<u>345,154</u>	<u>345,154</u>	<u>336,385</u>	<u>(8,769)</u>	<u>22,892</u>
Net Change In Fund Balance	20,148	(131,792)	(138,215)	(6,423)	157,817
Fund Balance - Beginning	<u>3,108,726</u>	<u>3,108,726</u>	<u>3,108,726</u>	<u>0</u>	<u>2,950,909</u>
Fund Balance - Ending	<u>3,128,874</u>	<u>2,976,934</u>	<u>2,970,511</u>	<u>(6,423)</u>	<u>3,108,726</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009			Variance With Final Budget Over (Under)	2008 Actual
	Budgeted Amounts		Actual		
	Original	Final			
General Government					
City Council	44,913	45,613	35,864	(9,749)	246,687
City Manager	131,000	170,500	259,766	89,266	158,264
City Clerk	42,290	42,290	42,183	(107)	37,191
Finance And Treasurer	129,960	129,759	123,359	(6,400)	121,423
Total General Government	348,163	388,162	461,172	73,010	563,565
Public Safety					
Police	2,011,335	2,011,536	1,953,579	(57,957)	1,704,330
Fire	100,745	100,745	93,317	(7,428)	93,878
Total Public Safety	2,112,080	2,112,281	2,046,896	(65,385)	1,798,208
Public Works					
Government Buildings	56,161	56,160	45,843	(10,317)	80,111
Government Auxiliary	109,693	109,693	79,124	(30,569)	101,622
Street Maintenance	271,327	257,992	262,779	4,787	304,639
Parks	181,449	160,485	157,930	(2,555)	156,884
Total Public Works	618,630	584,330	545,676	(38,654)	643,256
Community Development					
Planning	113,533	113,534	114,383	849	112,960
Building Regulation	155,882	89,842	103,099	13,257	177,390
Refuse Disposal	603,000	603,000	587,618	(15,382)	585,170
Corporation Yard	4,550	4,550	4,147	(403)	3,386
Engineering	20,000	40,000	40,101	101	21,665
Total Community Development	896,965	850,926	849,348	(1,578)	900,571
Recreation And Leisure					
Recreation	151,423	151,422	140,842	(10,580)	131,345
Total Culture And Leisure	151,423	151,422	140,842	(10,580)	131,345
Total General Fund	4,127,261	4,087,121	4,043,934	(43,187)	4,036,945

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
CDBG SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009				
	Budgeted Amounts			Variance With Final Budget Over (Under)	2008 Actual
	Original	Final	Actual		
REVENUES					
Interest Income	7,250	7,250	11,651	4,401	21,469
Program Income	11,500	11,500	0	(11,500)	0
Intergovernmental	0	0	0	0	346,024
Total Revenues	<u>18,750</u>	<u>18,750</u>	<u>11,651</u>	<u>(7,099)</u>	<u>367,493</u>
EXPENDITURES					
Supplies And Services	13,000	13,000	12,976	(24)	55,460
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>13,000</u>	<u>13,000</u>	<u>12,976</u>	<u>(24)</u>	<u>55,460</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>5,750</u>	<u>5,750</u>	<u>(1,325)</u>	<u>(7,075)</u>	<u>312,033</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Use)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	5,750	5,750	(1,325)	(7,075)	312,033
Fund Balance - Beginning	<u>4,533,755</u>	<u>4,533,755</u>	<u>4,533,755</u>	<u>0</u>	<u>4,221,722</u>
Fund Balance - Ending	<u>4,539,505</u>	<u>4,539,505</u>	<u>4,532,430</u>	<u>(7,075)</u>	<u>4,533,755</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
PUBLIC FACILITY IMPROVEMENT CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009				
	Budgeted Amounts		Actual	Variance	2008 Actual
	Original	Final		With Final Budget Over (Under)	
REVENUES					
Interest Income	96,000	96,000	75,528	(20,472)	142,076
Impact Fees	206,008	206,008	150,638	(55,370)	229,468
Total Revenues	<u>302,008</u>	<u>302,008</u>	<u>226,166</u>	<u>(75,842)</u>	<u>371,544</u>
EXPENDITURES					
Supplies And Services	134,000	134,000	42,831	(91,169)	3,375
Capital Outlay	15,000	15,000	14,268	(732)	0
Debt Service					
Principal	11,910	11,910	11,910	0	0
Interest & Other Charges	3,283	3,283	3,283	0	0
Total Expenditures	<u>164,193</u>	<u>164,193</u>	<u>72,292</u>	<u>(91,901)</u>	<u>3,375</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>137,815</u>	<u>137,815</u>	<u>153,874</u>	<u>16,059</u>	<u>368,169</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	137,815	137,815	153,874	16,059	368,169
Fund Balance - Beginning	3,942,766	3,942,766	3,942,766	0	3,574,597
Fund Balance - Ending	<u>4,080,581</u>	<u>4,080,581</u>	<u>4,096,640</u>	<u>16,059</u>	<u>3,942,766</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2008 Actual
	Original	Final			
REVENUES					
Property Taxes	931,790	931,790	882,343	(49,447)	926,507
Interest Income	27,825	27,825	22,037	(5,788)	63,964
Intergovernmental	0	0	0	0	0
Miscellaneous Revenues	0	0	0	0	8,180
Total Revenues	<u>959,615</u>	<u>959,615</u>	<u>904,380</u>	<u>(55,235)</u>	<u>998,651</u>
EXPENDITURES					
Salaries And Benefits	104,638	104,837	113,892	9,055	93,609
Supplies And Services	0	0	466,913	466,913	136,343
Capital Outlay	0	0	30,180	30,180	1,274,783
Debt Service					
Principal	125,000	125,000	125,000	0	120,000
Interest & Other Charges	149,800	149,800	149,800	0	156,581
Total Expenditures	<u>379,438</u>	<u>379,637</u>	<u>885,785</u>	<u>506,148</u>	<u>1,781,316</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>580,177</u>	<u>579,978</u>	<u>18,595</u>	<u>(561,383)</u>	<u>(782,665)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	(104,000)	(104,000)	(178,347)	(74,347)	(200,000)
Total Other Financing Sources And (Uses)	<u>(104,000)</u>	<u>(104,000)</u>	<u>(178,347)</u>	<u>(74,347)</u>	<u>(200,000)</u>
Net Change In Fund Balance	476,177	475,978	(159,752)	(635,730)	(982,665)
Fund Balance - Beginning	<u>1,679,403</u>	<u>1,679,403</u>	<u>1,679,403</u>	<u>0</u>	<u>2,662,068</u>
Fund Balance - Ending	<u>2,155,580</u>	<u>2,155,381</u>	<u>1,519,651</u>	<u>(635,730)</u>	<u>1,679,403</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
STORM DRAIN CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	2009				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2008 Actual
	Original	Final			
REVENUES					
Interest Income	4,000	4,000	2,819	(1,181)	6,002
Impact Fees	6,000	11,000	10,314	(686)	6,482
Service Charges And Miscellaneous	0	0	53	53	2,327
Total Revenues	<u>10,000</u>	<u>15,000</u>	<u>13,186</u>	<u>(1,814)</u>	<u>14,811</u>
EXPENDITURES					
Supplies And Services	0	0	0	0	50,585
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,585</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>10,000</u>	<u>15,000</u>	<u>13,186</u>	<u>(1,814)</u>	<u>(35,774)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	10,000	15,000	13,186	(1,814)	(35,774)
Fund Balance - Beginning	(628,858)	(628,858)	(628,858)	0	(593,084)
Fund Balance - Ending	<u>(618,858)</u>	<u>(613,858)</u>	<u>(615,672)</u>	<u>(1,814)</u>	<u>(628,858)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE ENDED JUNE 30, 2009
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Business-Type Activities-Enterprise Funds

	Sewer Fund	Water Fund	Totals	
			2009	2008
Assets				
Cash And Investments	5,576,014	1,648,537	7,224,551	6,681,744
Cash With Fiscal Agent	282,430	0	282,430	283,628
Accounts Receivable	326,257	91,010	417,267	315,339
Fixed Assets	5,900,524	2,753,463	8,653,987	8,615,797
Accumulated Depreciation	(3,056,566)	(829,931)	(3,886,497)	(3,688,823)
Work In Progress	77,813	0	77,813	0
Total Assets	9,106,472	3,663,079	12,769,551	12,207,685
Liabilities				
Accounts Payable	31,905	29,942	61,847	83,708
Customer Deposits	0	63,909	63,909	28,956
Compensated Absences	26,023	21,402	47,425	50,397
Other Liabilities	0	100,990	100,990	100,990
Loan Payable	1,980,000	0	1,980,000	2,150,000
Bond Payable	0	605,000	605,000	634,000
Total Liabilities	2,037,928	821,243	2,859,171	3,048,051
Net Assets				
Invested In Capital Assets, Net Of Related Debt	941,771	1,318,532	2,260,303	2,142,974
Restricted For Debt Service	282,430	0	282,430	283,628
Unrestricted	5,844,343	1,523,304	7,367,647	6,733,032
Total Net Assets	7,068,544	2,841,836	9,910,380	9,159,634

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 FOR THE ENDED JUNE 30, 2009
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2009	2008
Operating Revenues				
Service Charges	1,796,465	904,110	2,700,575	2,157,525
Miscellaneous Revenues	130,354	849	131,203	65,735
Total Operating Revenues	<u>1,926,819</u>	<u>904,959</u>	<u>2,831,778</u>	<u>2,223,260</u>
Operating Expenses				
Employee Services	448,493	411,463	859,956	778,250
Supplies And Services	617,617	374,785	992,402	1,473,180
Depreciation	127,677	72,970	200,647	196,878
Total Operating Expenses	<u>1,193,787</u>	<u>859,218</u>	<u>2,053,005</u>	<u>2,448,308</u>
Operating Income (Loss)	<u>733,032</u>	<u>45,741</u>	<u>778,773</u>	<u>(225,048)</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	103,617	31,949	135,566	273,789
Connection Fees	13,950	5,175	19,125	159,190
Development Fees	134,446	7,299	141,745	191,269
Development Contribution	0	0	0	0
Interest Expense	(107,873)	(30,975)	(138,848)	(150,997)
Total Nonoperating Revenues (Expenses)	<u>144,140</u>	<u>13,448</u>	<u>157,588</u>	<u>473,251</u>
Income Before Transfers	<u>877,172</u>	<u>59,189</u>	<u>936,361</u>	<u>248,203</u>
Operating Transfer In	0	0	0	0
Operating Transfer Out	(50,000)	(135,615)	(185,615)	(43,457)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(135,615)</u>	<u>(185,615)</u>	<u>(43,457)</u>
Change In Net Assets	827,172	(76,426)	750,746	204,746
Total Net Assets - Beginning	<u>6,241,372</u>	<u>2,918,262</u>	<u>9,159,634</u>	<u>8,954,888</u>
Total Net Assets - Ending	<u>7,068,544</u>	<u>2,841,836</u>	<u>9,910,380</u>	<u>9,159,634</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE ENDED JUNE 30, 2009
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

	Business-Type Activities-Enterprise Funds			
	Sewer	Water	Totals	
	Fund	Fund	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers And Users	1,814,670	950,133	2,764,803	2,165,998
Payments To Suppliers	(635,374)	(378,890)	(1,014,263)	(1,521,252)
Payments To Employees	(454,080)	(408,847)	(862,927)	(769,788)
Net Cash Provided By Operating Activities	<u>725,216</u>	<u>162,396</u>	<u>887,612</u>	<u>(125,043)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer Ins	0	0	0	0
Transfer Out	(50,000)	(135,615)	(185,615)	(43,457)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(50,000)</u>	<u>(135,615)</u>	<u>(185,615)</u>	<u>(43,457)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection Fees	13,950	5,175	19,125	159,190
Development Fees	134,446	7,299	141,745	191,269
Purchase Of Capital Assets	(98,395)	(20,582)	(118,977)	(107,895)
Principal Paid On Capital Debt	(169,999)	(29,000)	(198,999)	(398,000)
Interest Paid On Capital Debt	(107,873)	(30,975)	(138,848)	(150,997)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(227,871)</u>	<u>(68,083)</u>	<u>(295,954)</u>	<u>(306,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>103,617</u>	<u>31,949</u>	<u>135,566</u>	<u>273,789</u>
Net Cash Provided By Investing Activities	<u>103,617</u>	<u>31,949</u>	<u>135,566</u>	<u>273,789</u>
Net Increase In Cash And Cash Equivalents	550,962	(9,353)	541,609	(201,144)
Cash And Equivalents, July 1	<u>5,307,482</u>	<u>1,657,890</u>	<u>6,965,372</u>	<u>7,166,516</u>
Cash And Equivalents, June 30	<u><u>5,858,444</u></u>	<u><u>1,648,537</u></u>	<u><u>7,506,981</u></u>	<u><u>6,965,372</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Business-Type Activities-Enterprise Funds

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	Sewer	Water	Totals	
	Fund	Fund	2009	2008
Operating Income	<u>733,032</u>	<u>45,741</u>	<u>778,773</u>	<u>(225,048)</u>
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	127,677	72,970	200,647	196,878
(Increase) Decrease In Accounts Receivable	(112,149)	10,221	(101,928)	(65,263)
Increase (Decrease) In Accounts Payable	(17,757)	(4,105)	(21,862)	(48,073)
Compensated Absences	(5,587)	2,616	(2,971)	8,462
Customer Deposits	<u>0</u>	<u>34,953</u>	<u>34,953</u>	<u>8,001</u>
Net Cash Provided (Used) By Operating Activities	<u><u>725,216</u></u>	<u><u>162,396</u></u>	<u><u>887,612</u></u>	<u><u>(125,043)</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Newman, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management and Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using the full accrual accounting for all of the City’s activities, except for infrastructure (roads, streets, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The more significant of the City’s accounting policies are described below:

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Newman (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City’s reporting entity to be misleading or incomplete. The City’s component units are blended; there are no discretely presented component units in the Financial Reporting Entity.

City of Newman

The City (primary government) was incorporated on June 10, 1908 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include sewer, water, public safety (police, fire and civil defense), street construction and maintenance, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

City of Newman (continued)

The City operates under a Council-Manager form of government. The City Council consists of four members elected at large for overlapping four year terms. The Mayor is elected to the City Council for a two year term. The City Council appoints a City Manager and City Attorney.

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of one blended component unit: the Redevelopment Agency of the City of Newman.

Blended Component Unit. The Redevelopment Agency serves all the citizens of the City of Newman. The Redevelopment Agency is reported as a capital project fund.

Complete financial statements of the Redevelopment Agency may be obtained at the offices of the City of Newman.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.) net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **CDBG Fund** - To account for federal grants and other monies received and disbursed under the Housing and Community Development Act, to assist low and moderate income groups in obtaining loans to purchase their first home and rehabilitate or revitalize their homes.

The **Public Facility Improvement Fund**- To account for development impact fees collected. These fees are used for infrastructure and capital expenditure resulting from new developments.

Storm Drain- To account for impact fees charged to development to pay for facilities impacted by the development project.

Redevelopment Agency/Housing- Redevelopment Agency accounts for the collection of property tax revenues used for the administration of the agency and development within the designated redevelopment area. Redevelopment Housing accounts for 20% of the property tax revenues collected for the Redevelopment Agency, these funds are restricted for low and moderate income housing projects within the designated redevelopment area.

The city reports the following major proprietary funds.

The **Water Fund** accounts for the activities of the City's water service.

The **Sewer Fund** accounts for the activities of the City's sewer service.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers and applicants, for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Net Assets or Equity

1. Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types of investments. Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan associations

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

1. Cash and Investments (continued)

- Bankers Acceptances
- State Treasurer's Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Small Business Administration Loans
- Other products which are totally guaranteed and insured by the U.S government.

Investments for the City are reported at fair value. LAIF operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the city has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investment with initial maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

3. Property Taxes

Property taxes are levied on the first day of March by the county assessor, and are payable to the county tax collector in two installments.

The first installment is due November 1st, and is delinquent on December 10th, the second installment is due February 1st and is delinquent on April 10th. Taxes become a lien on the property on March 1st, and on the date of transfer of title, and the date of new construction.

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected. Article 13A of the California Constitution states, "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property."

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

3. Property Taxes (continued)

The one percent tax is to be collected by the counties and apportioned according to law to the districts within the counties."

The City has elected under state law (TEETER) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	<u>5%</u>
	<u>100%</u>

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant and equipment and \$25,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

6. Capital Assets (continued)

Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method. Assets are depreciated as follows:

Buildings	20-40 years
Improvements	40 years
Machinery and Equipment	3-6 years
Streets and Roads	20 years
Curb, Gutter, Sidewalks, & Median Curbs	20 years
Storm Drains	75 years
Traffic Signals	20 years
Water and Sewer Lines	40 years

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in the governmental and proprietary funds.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

9. Net Assets and Fund Equity

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the general fund, and special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several supplemental budgetary appropriations throughout the year.

B. Deficit Fund Equity

For the year ended June 30, 2009, the following fund has a deficit fund balance:

Storm Drain Fund	\$615,672
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Storm Drain Fund will be reimbursed by future assessments and fees collected from developers within the development district.

**CITY OF NEWMAN
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008**

III. DETAILED NOTES ON ALL FUNDS

A. Cash And Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	18,870,117
Cash and investments held by bond trustee	<u>560,318</u>
Total cash and investments	<u>19,430,435</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	1,000
Deposits with financial institutions	4,114,568
Investments in LAIF	<u>15,314,867</u>
Total cash and investments	<u>19,430,435</u>

Investments Authorized by the City's Investment Policy

The City's investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The City's investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 7.1 months.

		<u>Maturity Date</u>
State investment pool	<u>15,314,867</u>	7.1 months average maturity
Total	<u>15,314,867</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Concentration of Credit Risk

The investment policy of the City's contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

\$1,638,382 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City's is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Cash with Fiscal Agent

The City maintains cash and investments which are restricted under the terms of various debt agreements. The money is included in the City's pooled cash and investment program.

Restricted cash and investments as of June 30, 2009 is \$560,318 and consists of \$282,430 in the Sewer Fund and \$277,888 in the Redevelopment Agency Fund.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City deposits deferred compensation plan assets with the California Public Employees Retirement System (PERS). Federal legislation requires that the assets of such plans be held in trust for the exclusive benefit of the plan participants and their beneficiaries. PERS act as the trustees for the plan assets and the City is considered to have limited fiduciary responsibility for the plan assets. As such, the City does not report the deferred compensation plan assets on its financial statements.

B. Accounts Receivable

Receivables at June 30, 2009 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	<u>General</u>	<u>Non-Major Govern- mental</u>	<u>Total</u>
Governmental Activities:			
Utility Billing	66,943	0	66,943
Intergovernmental	93,845	102,423	196,268
Other	50,742	0	50,742
Total	<u>211,530</u>	<u>102,423</u>	<u>313,953</u>

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Utility Billing	90,332	321,347	411,679
Other	677	4,958	5,635
Total	<u>91,009</u>	<u>326,305</u>	<u>417,314</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

C. Loans Receivable

The City is the recipient of Community Development Block Grant and Home Program Funds. The Funds are provided for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 4%. The terms of the loans range between fifteen and thirty-eight years. All loans are secured by deeds of trust. The amount outstanding as of June 30, 2009 is \$3,871,241. Additional Loans Receivable of the Redevelopment Agency are as follows:

The Agency had the following loans receivables as of June 30, 2009:

Westside Village	377,790
Jose Reynose	200,000
Caetano Pometta	<u>2,255</u>
Total	<u>580,045</u>

A five year loan was issued to Caetano Pometta Real Estate for \$32,114 on October 5, 2004 at a 5.00% interest rate, with monthly payment of \$660.49. The loan receivable balance as of June 30, 2009 was \$2,255.

A 40 year loan was issued to Westside Village Apartments L.P a California Limited Partnership for \$377,790 on June 3, 1999 at a 3.00% interest rate. The loan receivable balance as of June 30, 2009 was \$377,790.

A 10 year loan was issued to Jose Reynose for \$200,000 on June 24, 2009. The interest varies between 0% for two years, 3% for three years and 5.00% for the remainder of the loan. . The loan receivable balance as of June 30, 2009 was \$200,000.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

D. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental-type Activities				
Capital Assets Not Being Depreciated:				
Land	3,360,205	0	0	3,360,205
Construction In Progress	<u>16,330</u>	<u>620,540</u>	<u>0</u>	<u>636,870</u>
Total Capital Assets Not Being Depreciated	<u>3,376,535</u>	<u>620,540</u>	<u>0</u>	<u>3,997,075</u>
Capital Assets Being Depreciated:				
Infrastructure	3,418,393	88,264	0	3,506,657
Equipment And Vehicles	2,504,799	98,387	(119,437)	2,483,749
Building And Improvements	<u>3,601,445</u>	<u>59,840</u>	<u>0</u>	<u>3,661,285</u>
Total Capital Assets Being Depreciated	<u>9,524,637</u>	<u>246,491</u>	<u>0</u>	<u>9,651,691</u>
Less Accumulated Depreciation For:				
Infrastructure	(426,273)	(122,741)	0	(549,014)
Equipment And Vehicles	(1,386,436)	(166,108)	119,437	(1,433,107)
Building And Improvements	<u>(1,235,131)</u>	<u>(109,450)</u>	<u>0</u>	<u>(1,344,581)</u>
Total Accumulated Depreciation	<u>(3,047,840)</u>	<u>(398,299)</u>	<u>119,437</u>	<u>(3,326,702)</u>
Net Capital Assets Being Depreciated	<u>6,476,797</u>	<u>(151,808)</u>	<u>119,437</u>	<u>6,324,989</u>
Total Net Capital Assets - Governmental-type activities	<u>9,853,332</u>	<u>468,732</u>	<u>119,437</u>	<u>10,322,064</u>

Depreciation was charged to functions/programs of the primary government as follows:

Government Activities:	
General Government	26,294
Public Safety	101,076
Public Works	200,101
Community Development	60,951
Culture And Leisure	<u>9,877</u>
Total Depreciation Expense – Government Activities	<u>398,299</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

D. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	1,460,000	0	0	1,460,000
Construction In Progress	<u>0</u>	<u>77,813</u>	<u>0</u>	<u>77,813</u>
Total Capital Assets Not Being Depreciated	<u>1,460,000</u>	<u>0</u>	<u>0</u>	<u>1,537,813</u>
Capital Assets Being Depreciated:				
Infrastructure	6,239,417	0	0	6,239,417
Equipment And Vehicles	808,814	41,164	(2,973)	847,005
Building And Improvements	<u>107,565</u>	<u>0</u>	<u>0</u>	<u>107,565</u>
Total Capital Assets Being Depreciated	<u>7,155,796</u>	<u>41,164</u>	<u>(2,973)</u>	<u>7,193,987</u>
Less Accumulated Depreciation For:				
Infrastructure	(2,993,177)	(154,217)	0	(3,147,394)
Equipment And Vehicles	(621,563)	(41,858)	2,973	(660,448)
Building And Improvements	<u>(74,083)</u>	<u>(4,572)</u>	<u>0</u>	<u>(78,655)</u>
Total Accumulated Depreciation	<u>(3,688,823)</u>	<u>(200,647)</u>	<u>2,973</u>	<u>(3,886,497)</u>
Net Capital Assets Being Depreciated	<u>3,466,973</u>	<u>(159,483)</u>	<u>0</u>	<u>3,307,490</u>
Total Net Capital Assets - Business-type activities	<u>4,926,973</u>	<u>(159,483)</u>	<u>0</u>	<u>4,845,303</u>

Depreciation was charged to functions/programs of the primary government as follows:

Business- Type Activities:

Water	72,970
Sewer	<u>127,677</u>
Total Depreciation Expense – Business-Type Activities	<u>200,647</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

E. Transfers

Interfund transfers for the year ended June 30, 2009 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	361,385	25,000
Capital Repair	110,000	43,654
Safety Grants	298,962	0
Redevelopment	0	178,347
Gas Tax	0	225,242
Lighting Assessment	0	20,000
Sewer	0	50,000
Water	0	135,615
Employee Home Loans	0	40,000
COPS Grant	0	52,489
Total	<u>770,347</u>	<u>770,347</u>

F. Long-Term Debt

Long-term debt consists of the following:

Governmental-Type Activities:

Certificates of Participation

In the year ended June 30, 1997 the City issued tax allocation project and housing bonds. The bonds payable were \$2,735,000 as of June 30, 2009.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	115,000	143,923	258,923
2011	120,000	138,046	258,046
2012	125,000	131,798	256,798
2013	125,000	125,298	250,298
2014	130,000	118,571	248,571
2015-2019	700,000	480,104	1,180,104
2020-2024	735,000	285,733	1,020,733
2025-2028	685,000	75,922	760,922
	<u>2,735,000</u>	<u>1,499,394</u>	<u>4,234,394</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

F. Long-Term Debt (continued)

Fire Truck Purchase

The City purchased a Pierce F in September of 2006 from Oshkosh Capital for \$263,822. Repayment will be made in yearly installments of \$43,411 at a 5% rate of interest. The loan matures September 26, 2012. The principal balance was \$153,970 as of June 30, 2009.

Year Ending June 30	Principal	Interest	Total
2010	35,728	7,683	43,411
2011	37,511	5,900	43,411
2012	39,383	4,028	43,411
2013	41,348	2,063	43,411
Total	<u>153,970</u>	<u>19,674</u>	<u>173,644</u>

Business-Type Activities:

The \$1,050,000 of Water Revenue Bonds of 1982 are due in annual installments of \$9,000 to \$59,000 through 2022 with interest of 5%. This issue is being serviced, principal and interest by the Water Fund. The principal amount unpaid at June 30, 2009 is \$605,000.

Year Ending June 30	Principal	Interest	Total
2010	31,000	29,475	60,475
2011	32,000	27,900	59,900
2012	34,000	26,250	60,250
2013	36,000	24,500	60,500
2014	38,000	22,650	60,650
2015-2019	217,000	82,500	299,500
2020-2023	217,000	19,860	236,860
Total	<u>605,000</u>	<u>233,135</u>	<u>838,135</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

F. Long-Term Debt (continued)

Certificates of Participation

The City issued certifications of participation in May of 1991 to assist in financing the acquisition, construction, and improvement of their wastewater treatment facilities. The total amount of the issue was \$3,590,000 with interest rates ranging from 4.5% to 6.74%.

The City refunded these certificates in November 1999. The total amount of the issue was \$3,455,000 with interest rates ranging from 3.6% to 5.3%. The bonds payable as of June 30, 2009 were \$1,980,000.

Year Ending June 30	Principal	Interest	Total
2010	180,000	107,872	287,872
2011	190,000	91,592	281,592
2012	195,000	82,330	277,330
2013	205,000	72,580	277,580
2014	220,000	62,330	282,330
2015-2017	<u>990,000</u>	<u>132,142</u>	<u>1,122,142</u>
Total	<u>1,980,000</u>	<u>548,846</u>	<u>2,528,846</u>

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Loan Payable	187,999	0	(34,029)	153,970	35,728
Certificate of Participaqtion	2,860,000	0	(125,000)	2,735,000	115,000
Compensated Absences	<u>110,379</u>	<u>0</u>	<u>(6,672)</u>	<u>103,707</u>	<u>0</u>
Long-term liabilities of Governmental Activities:	<u>3,158,378</u>	<u>0</u>	<u>(165,701)</u>	<u>2,992,677</u>	<u>150,728</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

F. Long-Term Debt (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds	634,000	0	(29,000)	605,000	31,000
Certificate of Participaqtion	2,150,000	0	(170,000)	1,980,000	180,000
Compensated Absences	<u>50,397</u>	<u>0</u>	<u>(2,972)</u>	<u>47,425</u>	<u>0</u>
Long-term liabilities of Governmental Activities:	<u>2,834,397</u>	<u>0</u>	<u>(201,972)</u>	<u>2,632,425</u>	<u>211,000</u>

G. Payables And Other Liabilities

Payables at June 30, 2009 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General</u>	<u>Storm Drain</u>	<u>Public Facility Inprov</u>	<u>CDBG</u>	<u>Redevelo- pment Agency</u>	<u>Non- major Govern- mental</u>	<u>Total</u>
Governmental Activities:							
Vendors	335,530	0	14,268	1,741	164,818	137,319	653,676
Deposits	<u>622,919</u>	<u>770,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,546</u>	<u>1,504,028</u>
Total	<u>958,449</u>	<u>770,563</u>	<u>14,268</u>	<u>1,741</u>	<u>164,818</u>	<u>247,865</u>	<u>2,157,704</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

G. Payables And Other Liabilities (continued)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Vendors	29,942	31,905	61,847
Customer Deposits	63,909	0	63,909
Developer Deposits	100,990	0	100,990
Total	<u>194,841</u>	<u>31,905</u>	<u>226,746</u>

IV. OTHER INFORMATION

A. Risk Management

The City of Newman participates with other public entities in a joint exercise of powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit. The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

A. Risk Management (continued)

The financial position and results of operations for the CSJVRMA, as of June 30, 2008, are presented below:

Total Assets	<u>55,090,154</u>
Total Liabilities	45,390,299
Total Net Assets	<u>9,699,855</u>
Total Liabilities & Retained Earnings	<u>55,090,154</u>
Total Revenues for Year	27,634,859
Total Expenses for Year	<u>26,458,594</u>
Net Income for Year	<u>1,176,265</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess deficit will be divided among the cities in accordance with its governing documents.

B. Commitments and Contingencies

The City of Newman is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Employee Retirement Systems and Plans

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento CA 95814.

Participants are required to contribute 8% (9% for public-safety employees) of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by PERS. The City is required to contribute at an actuarially determined rate. The current rate is 11.226% for non-safety employees, 28.932% of police employees, of annual covered payroll. PERS has determined that because of past funding and investment earnings, current employer contributions are not required for miscellaneous employees and public-safety employees of the city.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

C. Employee Retirement Systems and Plans (continued)

For June 30, 2009, the City's annual pension cost was \$376,800 due to excess PERS funds determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was five years for prior service unfunded, and 15 years for remaining unfunded.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/07	\$308,611	100%	0
06/30/08	\$337,693	100%	0
06/30/09	\$376,800	100%	0

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Program Income Miscellaneous- To account for miscellaneous income.

Park Facility Fee- To account for developer fees related to parks.

State Grants- To account for various grants received from the State of California. Funds are used for community development.

Safety Grants- To account for Federal grants. Historically most of the grants are police related but could include other departments.

Abandon Vehicle Fund- To account for money received by the Police Department for the disposal of abandon vehicles.

Gas Tax- To account for state gas tax revenues collected based on population. The revenues may be expended for street and road repair, maintenance, design, construction and traffic signal design and installation.

Employee Home Loan Fund- To account for funds set aside for City of Newman employees home loan program..

K-9 Fund- To account for donations made to the City for the purpose of the police K-9 Units.

COPS Grant Fund- To account for grant funds for police services.

Asset Forfeiture- To account for money received by the Police Department as a result of Asset Forfeiture. The funds are used to augment the SLENET Task Force which is currently run by the State Department of Justice.

Local Transportation- To account for Local Transportation Funds received from STANCOG as a pass thru of gas and sales tax funds to be used for improvements to transportation related areas.

County CDBG Fund- To account for various repayments received from the Stanislaus County. Refunds are for various public works and community development projects.

Business License Surcharge- To account for revenues generated by a portion of the business licenses collected.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Lighting and Landscaping District- To account for the money received from residences in certain districts who pay an assessment based on the benefit they receive. These funds are used to cover the costs of street lighting and landscape maintenance in their specific zones.

Contingency Fund- To account for funds reserved for emergency or contingent needs. These funds are only to be used at the direction of the City Council for emergencies or unplanned needs.

Capital Repair & Replacement- To account for internally derived depreciation expense used to establish a capital reserve fund.

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**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund	Safety Grants Fund	Abandoned Vehicle Program
Assets					
Cash And Investments	1,571	363,064	391,790	27,093	6,760
Cash with Fiscal Agent	0	0	0	0	0
Accounts Receivable	0	0	0	0	1,503
Loans Receivable	0	0	0	0	0
Due From Other Funds	0	0	0	0	0
Total Assets	1,571	363,064	391,790	27,093	8,263
Liabilities And Fund Balances					
Liabilities					
Accounts Payable	0	0	28,338	27,435	0
Compensated Absences	0	0	0	0	157
Other Liabilities	0	110,546	0	0	0
Due To Other Funds	0	0	0	0	0
Total Liabilities	0	110,546	28,338	27,435	157
Fund Balances					
Reserved	0	0	0	0	0
Unreserved	1,571	252,518	363,452	(342)	8,106
Total Fund Balances	1,571	252,518	363,452	(342)	8,106
Total Liabilities And Fund Balances	1,571	363,064	391,790	27,093	8,263

**CITY OF NEWMAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

Gas Tax Fund	Employee Home Loan Fund	K-9 Fund	COPS Grant Fund	Asset Forfeit Fund	Local Transportation Fund	County CDBG Construction Fund
0	11,966	2,595	0	977	469,627	146,775
0	0	0	0	0	0	0
0	0	0	48,048	0	47,698	5,174
0	151,500	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>163,466</u>	<u>2,595</u>	<u>48,048</u>	<u>977</u>	<u>517,325</u>	<u>151,949</u>
0	0	0	0	0	9,519	59,306
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,519</u>	<u>59,306</u>
0	0	0	0	0	0	0
0	163,466	2,595	48,048	977	507,806	92,643
0	163,466	2,595	48,048	977	507,806	92,643
<u>0</u>	<u>163,466</u>	<u>2,595</u>	<u>48,048</u>	<u>977</u>	<u>517,325</u>	<u>151,949</u>

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**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

	Business License Surcharge Fund	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
					2009	2008
Assets						
Cash And Investments	622	188,319	197,536	412,293	2,220,988	1,983,677
Cash with Fiscal Agent	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	102,423	133,003
Loans Receivable	0	0	0	0	151,500	40,000
Due From Other Funds	0	0	0	0	0	0
Total Assets	<u>622</u>	<u>188,319</u>	<u>197,536</u>	<u>412,293</u>	<u>2,474,911</u>	<u>2,156,680</u>
Liabilities And Fund Balances						
Liabilities						
Accounts Payable	0	12,492	0	72	137,162	116,014
Compensated Absences	0	215	0	0	372	0
Other Liabilities	0	0	0	0	110,546	110,546
Due To Other Funds	0	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>12,707</u>	<u>0</u>	<u>72</u>	<u>248,080</u>	<u>226,560</u>
Fund Balances						
Reserved	0	0	0	0	0	0
Unreserved	622	175,612	197,536	412,221	2,226,831	1,930,120
Total Fund Balances	<u>622</u>	<u>175,612</u>	<u>197,536</u>	<u>412,221</u>	<u>2,226,831</u>	<u>1,930,120</u>
Total Liabilities And Fund Balances	<u>622</u>	<u>188,319</u>	<u>197,536</u>	<u>412,293</u>	<u>2,474,911</u>	<u>2,156,680</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund	Safety Grants Fund	Abandoned Vehicle Program
Revenues					
Investment Earnings	29	6,628	7,543	226	105
Intergovernmental	0	0	405,000	295	7,150
Property Taxes	0	0	0	0	0
Other Taxes	0	0	0	0	0
Impact Fees	0	35,010	0	0	0
Licenses And Permits	0	0	0	0	0
Service Charges And Miscellaneous	0	0	0	0	0
Total Revenues	29	41,638	412,543	521	7,255
Expenditures					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	4,531
Public Works	0	7,860	50,649	271	0
Community Development	0	0	0	0	0
Culture And Leisure	0	0	0	0	0
Debt Service					
Principal	0	0	0	0	0
Interest & Other Charges	0	0	0	0	0
Capital Outlay	0	0	0	354,996	0
Total Expenditures	0	7,860	50,649	355,267	4,531
Excess(Deficiency) Of Revenues Over Expenditures	29	33,778	361,894	(354,746)	2,724
Other Financing Sources (Uses)					
Operating Transfers In	0	0	0	298,962	0
Operating Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	298,962	0
Net Change In Fund Balances	29	33,778	361,894	(55,784)	2,724
Fund Balance - Beginning	1,542	218,740	1,558	55,442	5,382
Fund Balance - Ending	1,571	252,518	363,452	(342)	8,106

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

Gas Tax Fund	Employee Home Loan Fund	K-9 Fund	COPS Grant Fund	Asset Forfeit Fund	Local Transportation Fund	County CDBG Construction Fund	Business License Surcharge Fund
1,638	2,282	0	450	18	7,734	827	133
0	0	0	100,087	0	179,717	317,587	0
0	0	0	0	0	0	0	0
178,151	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	10,179
0	0	1,726	0	0	18	0	0
<u>179,789</u>	<u>2,282</u>	<u>1,726</u>	<u>100,537</u>	<u>18</u>	<u>187,469</u>	<u>318,414</u>	<u>10,312</u>
0	0	0	0	0	0	24,146	16,483
0	0	30,558	0	0	0	0	0
0	0	0	0	0	13,078	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	140,481	251,277	0
<u>0</u>	<u>0</u>	<u>30,558</u>	<u>0</u>	<u>0</u>	<u>153,559</u>	<u>275,423</u>	<u>16,483</u>
<u>179,789</u>	<u>2,282</u>	<u>(28,832)</u>	<u>100,537</u>	<u>18</u>	<u>33,910</u>	<u>42,991</u>	<u>(6,171)</u>
0	0	0	0	0	0	0	0
<u>(225,242)</u>	<u>(40,000)</u>	<u>0</u>	<u>(52,489)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(225,242)</u>	<u>(40,000)</u>	<u>0</u>	<u>(52,489)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(45,453)</u>	<u>(37,718)</u>	<u>(28,832)</u>	<u>48,048</u>	<u>18</u>	<u>33,910</u>	<u>42,991</u>	<u>(6,171)</u>
<u>45,453</u>	<u>201,184</u>	<u>31,427</u>	<u>0</u>	<u>959</u>	<u>473,896</u>	<u>49,652</u>	<u>6,793</u>
<u>0</u>	<u>163,466</u>	<u>2,595</u>	<u>48,048</u>	<u>977</u>	<u>507,806</u>	<u>92,643</u>	<u>622</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2008**

Special Revenue

	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
				2009	2008
Revenues					
Investment Earnings	2,903	3,651	7,425	41,592	76,974
Intergovernmental	0	0	0	1,009,836	427,099
Property Taxes	0	0	0	0	0
Other Taxes	205,803	0	0	383,954	331,785
Impact Fees	0	0	0	35,010	17,444
Licenses And Permits	0	0	0	10,179	11,860
Service Charges And Miscellaneous	0	0	0	1,744	316,560
Total Revenues	208,706	3,651	7,425	1,482,315	1,181,722
Expenditures					
General Government	0	0	30,020	70,649	44,886
Public Safety	0	0	0	35,089	30,435
Public Works	0	0	0	71,858	18,853
Community Development	184,733	51	0	184,784	753,597
Culture And Leisure	0	0	0	0	0
Debt Service					
Principal	0	0	22,120	22,120	32,412
Interest & Other Charges	0	0	6,098	6,098	10,999
Capital Outlay	0	0	75,829	822,583	792,775
Total Expenditures	184,733	51	134,067	1,213,181	1,683,957
Excess(Deficiency) Of Revenues Over Expenditures	<u>23,973</u>	<u>3,600</u>	<u>(126,642)</u>	<u>269,134</u>	<u>(502,235)</u>
Other Financing Sources (Uses)					
Operating Transfers In	0	0	110,000	408,962	487,111
Operating Transfers Out	(20,000)	0	(43,654)	(381,385)	(266,546)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>0</u>	<u>66,346</u>	<u>27,577</u>	<u>220,565</u>
Net Change In Fund Balances	3,973	3,600	(60,296)	296,711	(281,670)
Fund Balance - Beginning	<u>171,639</u>	<u>193,936</u>	<u>472,517</u>	<u>1,930,120</u>	<u>2,211,790</u>
Fund Balance - Ending	<u>175,612</u>	<u>197,536</u>	<u>412,221</u>	<u>2,226,831</u>	<u>1,930,120</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To The City Council
City of Newman
State of California

We have audited the general-purpose financial statements of the City of Newman, State of California, as of and for the year ended June 30, 2009 and 2008, and have issued our report thereon dated November 4, 2009. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the City of Newman's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the City of Newman's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A control deficiency exists when the design or operation of one or more of the internal control components does not allow management or employees in the normal course of performing their duties to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in a accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entities internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses as described above.

This report is intended for the information of the audit committee, management and the Newman City Council. However, this report is a matter of public record and its distribution is not limited.

CLENDENIN BIRD & COMPANY, PC

Clendenin Bird & Company,

Modesto, California

November 4, 2009

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**REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
BASED ON AN EXAMINATION OF GENERAL-PURPOSE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH THE
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT**

To The City Council
City of Newman
State of California

We have audited the general-purpose financial statements of the City of Newman, State of California for the year ended June 30, 2009 and 2008, and have issued our report thereon dated November 4, 2009. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the California Administrative Code Section 6664 of the Transportation Development Act and the allocation instructions of the Stanislaus Area Association of Governments, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Newman is responsible for the City's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations, noncompliance with which could have a material effect on the general-purpose financial statements of the City.

In our opinion the City of Newman Transportation Development Act funds were accounted for in conformance with the applicable laws, rules and regulations of the Transportation Development Act and the allocation instructions of the Stanislaus Council of Governments.

CLENDENIN BIRD & COMPANY, PC

Clendenin Bird & Company,
Modesto, California
November 4, 2009

