

**CITY OF NEWMAN**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2008 AND 2007**



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# 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, 2008 and 2007, 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, 2008 and 2007, 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 and Schedule of Funding Progress 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 October 30, 2008 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

October 30, 2008

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2008

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, 2008. Please read this document in conjunction with the accompanying Basic Financial Statements.

The City's financial highlights are presented below:

**FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS**

Financial highlights of fiscal year 2008 include the following:

*Entity-wide:*

- The City's total net assets were \$30,420,502 as of June 30, 2008. Of this total, \$21,260,868 were Governmental assets and \$9,159,634 were Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$2,740,674 and general revenues and transfers of \$4,208,874 for a total of \$6,949,548.
- Entity-wide Governmental expenses were \$5,576,090.
- Entity-wide Business-type program revenues and interest revenue were \$2,804,051 while Business-type expenses and transfers were \$2,599,305

*Fund Level:*

- Governmental Fund balances decreased \$462,090 in fiscal year 2008
- Governmental Fund revenues decreased \$795,181 in fiscal year 2008.
- Governmental Fund expenditures increased \$1,125,228 in fiscal year 2008.

*General Fund:*

- General Fund revenues of \$3,971,870 represented a decrease of \$291,885 under the prior year.
- General Fund expenditures of \$3,836,945 were \$158,729 greater than the prior year.
- General Fund balance of \$3,108,726 as of June 30, 2008, is up from the fiscal year 2007's fund balance of \$2,950,909.

**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.

## **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, 2008

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, 2008

*Governmental Activities*

Table 1  
Governmental Net Assets at June 30, 2008

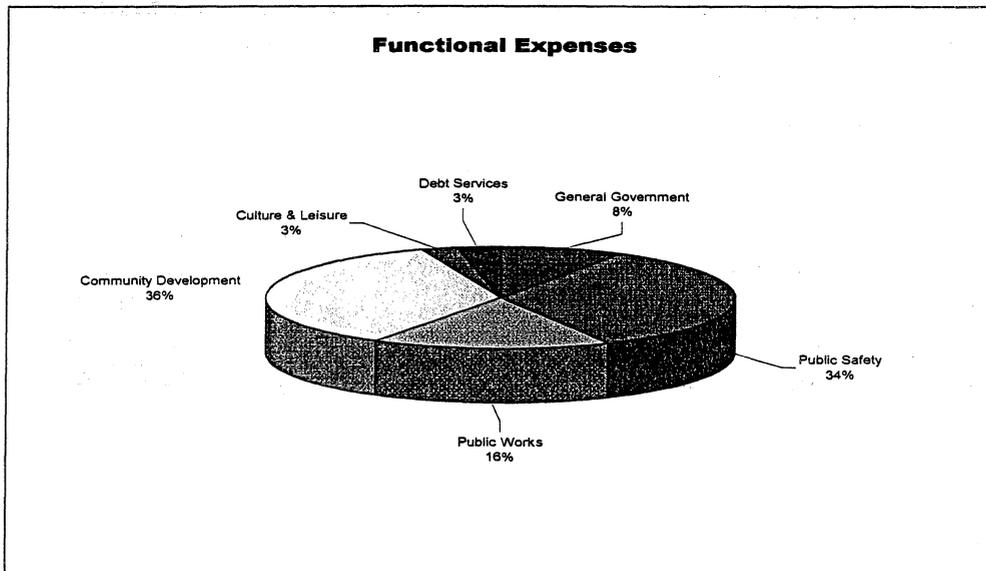
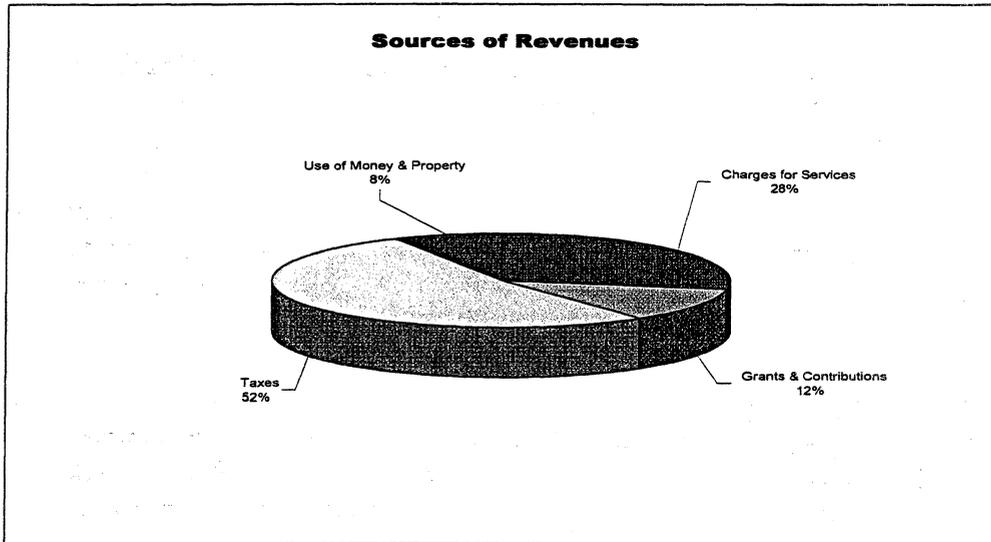
	Governmental Activities 2008	Governmental Activities 2007
Cash and investments	\$ 11,511,695	\$ 11,669,161
Other assets	4,960,535	5,298,903
Capital assets	<u>9,853,334</u>	<u>8,145,201</u>
Total assets	<u>26,325,564</u>	<u>25,113,265</u>
Long-term debt outstanding	3,047,999	3,200,411
Other liabilities	<u>2,016,697</u>	<u>2,025,444</u>
Total liabilities	<u>5,064,696</u>	<u>5,225,855</u>
Net assets:		
Invested in capital assets, net of debt	6,805,335	4,944,790
Restricted	10,981,730	11,511,688
Unrestricted	<u>3,473,803</u>	<u>3,430,932</u>
Total net assets	<u>\$ 21,260,868</u>	<u>\$ 19,887,410</u>

The City's governmental net assets amounted to \$21,260,868 as of June 30, 2008, an increase of \$1,373,458 over 2007. 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, 2008 comprised the following:

- Cash and investments comprised \$11,223,900 in the city treasury and \$287,795 of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 1 to the financial statements.
- Receivables comprised \$417,464 of current receivables and loans receivable for \$4,501,981.
- Capital assets of \$9,853,334, 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 \$1,906,318.
- Accrued compensated absence liabilities payable to employees of \$110,379, as explained in Note 7 of the financial statements.

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2008

- Long-term debt of \$3,047,999 of which \$2,888,969 is due in future years and \$159,030 is due currently.
- Net assets invested in capital assets, net of related debt, of \$6,805,335, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$10,981,730, 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 \$3,473,803 of unrestricted net assets as of June 30, 2008.



City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Year Ended June 30, 2008

As the Sources of Revenue Chart above shows, \$3,630,305, or 52%, of the City's fiscal year 2008 governmental activities revenue came from taxes, while \$818,950, or 12%, came from grants and contributions, \$1,921,724, or 28%, came from charges for services, and the remainder came from a variety of sources, as shown above.

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 \$458,524, or 8%, of total government expenses, community development and planning is \$1,987,627, or 36%, Public Safety is \$1,913,041, or 34%, Public Works is \$908,093, or 16%, and Debt Service is \$167,580 or 3%.

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

	Governmental Activities 2008
<u>Expenses</u>	
General government	458,524
Public Safety	1,913,041
Public Works	908,093
Community Development	1,987,627
Culture and Leisure	141,225
Interest on long term debt	167,580
Total expenses	5,576,090
<u>Revenues</u>	
Program Revenues:	
Charges for services	1,921,724
Operating grants and contributions	818,950
Total program revenues	2,740,674
General revenues:	
Taxes	3,630,305
Use of money and property	535,112
Other	43,457
Total general revenues	4,208,874
Total revenues	6,949,548
<u>Change in net assets</u>	\$ 1,373,458

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Year Ended June 30, 2008

As the Sources of Revenue Chart and Table 2 above show, \$2,740,674, or 39%, of the City's fiscal year 2008 governmental revenue, came from program revenues and \$4,208,874, or 61%, came from general revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$2,740,674, which include permit revenues, fees and charges used to fund expenses incurred in providing services; \$818,950 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.

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

	Net (Expense) Revenue
	From Services 2008
General government	\$ 928,566
Public Safety	(1,730,735)
Public Works	(91,019)
Community Development	(1,633,423)
Culture and Leisure	(141,225)
Interest on Long-Term Debt	(167,580)
Totals	\$ 2,835,416

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Year Ended June 30, 2008

***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

	Business-Type 2008	Business-Type 2007
Cash and investments	\$ 6,965,372	\$ 7,166,516
Other assets	315,339	250,076
Capital assets	4,926,974	5,015,957
Total assets	<u>12,207,685</u>	<u>12,432,549</u>
Long-term debt outstanding	2,784,000	3,182,000
Other liabilities	264,051	295,661
Total liabilities	<u>3,048,051</u>	<u>3,477,661</u>
Net assets:		
Invested in capital assets, net of debt	2,142,974	2,243,957
Restricted	283,628	285,640
Unrestricted	6,733,032	6,425,291
Total net assets	<u>\$ 9,159,634</u>	<u>\$ 8,954,888</u>

The net assets of business-type activities increased to \$204,746 in fiscal year 2008.

Table 5  
Changes in Business-Type Net Assets

	Net (Expense) Revenue From Services 2008	Net (Expense) Revenue From Services 2007
Water Fund	\$ (268,669)	\$ 43,957
Sewer Fund	\$ 243,083	\$ 566,357
Totals	<u>\$ (25,586)</u>	<u>\$ 610,314</u>

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2008

**Analyses of Major Funds**

***Governmental Funds***

**General Fund**

General Fund revenues decreased by \$291,885 this fiscal year due primarily to the decline in property taxes and building permits. Property taxes decreased by \$73,990 due to the drop in assessed valuations. Licenses and permits decreased by \$124,205 as a result of fewer building permits being issued. Charges for services were down \$73,326, because of a decrease in plan check fees and engineering fees. Interest income increased \$47,406 as the City's cash investments maintained a high rate of return for the first two quarters of the fiscal year.

General Fund expenditures were \$3,836,945, an increase of \$158,727 from the prior year. Expenditures were \$381,232 less than budgeted, including savings in costs associated with General Government, Public Works, and Community Development.

As of June 30, 2008, the General Fund's unreserved fund balance totaled \$3,108,726. 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 2008, the fund received \$229,468 in developer fees. Developer fee revenue decreased \$138,860 from the prior year due to a decrease in construction projects.

The fund's fiscal year end fund balance of \$3,942,766 represents developer fees that have not yet been expended on public facility projects and improvements.

***Proprietary Funds***

**Sewer Fund**

Net assets of the Sewer Fund increased \$406,834 in fiscal year 2008 to a total of \$6,241,372. The City paid off the outstanding 1978 Sewer Bond decreasing bonds payable by \$205,000. As of June 30, 2008, the fund's net assets were \$6,241,372, of which \$801,053 was invested in capital assets, net of related debt, \$283,628 is restricted for Debt Service and \$5,156,691 was unrestricted.

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Year Ended June 30, 2008

**Water Fund**

Revenues decreased \$1,423,180 to a total of \$806,636 in fiscal year 2008 due to the continued slow down in construction. Expenses also increased by \$222,776 to a total of \$1,008,724. As a result the fund's net assets decreased by \$202,088, to a new total of \$2,918,262.

**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 2008, 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 2008 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, 2008</u>	<u>Balance at</u> <u>June 30, 2007</u>
<u>Governmental Activities</u>		
Land	\$ 3,360,205	\$ 2,130,371
Streets and Roads	3,418,393	3,418,393
Buildings	3,601,445	2,946,721
Improvements	16,330	82,981
Equipment	2,504,799	2,255,148
Accumulated depreciation	<u>(3,047,840)</u>	<u>(2,688,413)</u>
Governmental activity capital assets, net	<u>\$ 9,853,332</u>	<u>\$ 8,145,201</u>
<u>Business-type Activities</u>		
Land	\$ 1,460,000	\$ 1,460,000
Buildings	107,565	107,565
Plant and Equipment	7,048,231	6,940,337
Accumulated depreciation	<u>(3,688,823)</u>	<u>(3,491,945)</u>
Business-type activity capital assets, net	<u>\$ 4,926,973</u>	<u>\$ 5,015,957</u>

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

City of Newman  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Fiscal Year Ended June 30, 2008

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 III to the financial statements.

**DEBT ADMINISTRATION**

The City issued no new bonded debt in fiscal year 2008. The City made all scheduled repayments of existing debt. The City paid off the 1978 Sewer Revenue Bond. Each of the City's debt issues is discussed in detail in Note III to the financial statements. As of June 30, 2008, the City's debt comprised:

Table 7  
Outstanding Debt

	June 30, 2008	June 30, 2007
<u>Governmental Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1997 Tax allocation and housing, 5.375%-6.200%, due 8/1/27	\$ 2,860,000	\$ 2,980,000
<u>Other Long Term Obligations:</u>		
Note, 6.50%, no fixed payment schedule	187,999	220,411
Total Governmental Activity Debt	\$ 3,047,999	\$ 3,200,411
 <u>Business-type Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1991 Sewer treatment facility, 4.50%-6.74%, due 5/1/18	\$ 2,150,000	\$ 2,315,000
<u>Revenue Bonds:</u>		
1978 Sewer Revenue Bonds, 5.00%, due in 2018	0	205,000
1982 Water Revenue Bonds, Series B, 5.00%, due in 2022	634,000	662,000
Total Revenue Bonds	634,000	867,000
Total Business-type Activity Debt:	\$ 2,784,000	\$ 3,182,000

**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.

**CITY OF NEWMAN**  
**STATEMENTS OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	Primary Government		Totals	
	Governmental Activities	Proprietary Activities	2008	2007
<b>ASSETS</b>				
Cash And Investments	11,223,900	6,681,744	17,905,644	18,267,441
Cash With Fiscal Agent	287,795	283,628	571,423	583,136
Accounts Receivable	417,464	315,339	732,803	952,811
Loans Receivable	4,501,981	0	4,501,981	4,509,546
Prepaid Expenses	41,090	0	41,090	71,722
Capital Assets (Net Of Accumulated Depreciation):				
Land	3,360,206	1,460,000	4,820,206	3,590,371
Construction In Progress	16,330	0	16,330	82,981
Buildings And Improvements	2,366,314	3,234,703	5,601,017	1,860,120
Equipment And Vehicles	1,118,364	45,022	1,163,386	1,125,484
Infrastructure	2,992,120	187,249	3,179,369	6,502,202
Total Assets	<u>26,325,564</u>	<u>12,207,685</u>	<u>38,533,249</u>	<u>37,545,814</u>
<b>LIABILITIES</b>				
Accounts Payable And Other				
Current Liabilities	1,906,318	213,654	2,119,972	2,193,788
Compensated Absences	110,379	50,397	160,776	127,317
Long-Term Liabilities:				
Due Within One Year	159,030	206,000	365,030	358,412
Due In More Than One Year	2,888,969	2,578,000	5,466,969	6,023,999
Total Liabilities	<u>5,064,696</u>	<u>3,048,051</u>	<u>8,112,747</u>	<u>8,703,516</u>
<b>NET ASSETS</b>				
Invested In Capital Assets				
Net Of Related Debt	6,805,335	2,142,974	8,948,309	7,188,747
Restricted For:				
Capital Projects	4,236,719	0	4,236,719	3,988,211
Community Development Projects	6,298,186	0	6,298,186	7,076,104
Debt Service	446,825	283,628	730,453	733,013
Unrestricted	3,473,803	6,733,032	10,206,835	9,856,223
Total Net Assets	<u>21,260,868</u>	<u>9,159,634</u>	<u>30,420,502</u>	<u>28,842,298</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	458,524	1,341,263	45,827	0
Public Safety	1,913,041	75,603	106,703	0
Public Works	908,093	496,678	5,000	315,396
Community Development	1,987,627	8,180	346,024	0
Culture And Leisure	141,225	0	0	0
Interest on Long-Term Debt	167,580	0	0	0
Total Governmental Activities	<u>5,576,090</u>	<u>1,921,724</u>	<u>503,554</u>	<u>315,396</u>
<b>Business-Type Activities</b>				
Water Services	1,008,724	740,055	0	0
Sewer Services	<u>1,590,581</u>	<u>1,833,664</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>2,599,305</u>	<u>2,573,719</u>	<u>0</u>	<u>0</u>
Total Primary Government	<u>8,175,395</u>	<u>4,495,443</u>	<u>503,554</u>	<u>315,396</u>

**General Revenues:**

Taxes:  
Property Tax  
Sales Tax  
Motor Vehicle Tax  
Franchise Tax  
Other Taxes  
Investment Earnings  
Intergovernmental  
Transfers  
Developer Contribution  
Total General Revenues And Transfers  
Change In Net Assets  
Net Assets - Beginning  
Net Assets - Ending

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue And  
Changes In Net Assets  
Primary Government**

Governmental Activities	Proprietary Activities	2008	Total 2007
928,566	0	928,566	1,193,789
( 1,730,735)	0	( 1,730,735)	(1,553,255)
( 91,019)	0	( 91,019)	177,317
( 1,633,423)	0	( 1,633,423)	(1,183,406)
( 141,225)	0	( 141,225)	(117,421)
( 167,580)	0	( 167,580)	(163,925)
<u>( 2,835,416)</u>	<u>0</u>	<u>( 2,835,416)</u>	<u>(1,646,901)</u>
0	( 268,669)	( 268,669)	43,957
<u>0</u>	<u>243,083</u>	<u>243,083</u>	<u>566,357</u>
0	( 25,586)	( 25,586)	610,314
<u>( 2,835,416)</u>	<u>( 25,586)</u>	<u>( 2,861,002)</u>	<u>( 1,036,587)</u>
1,668,004	0	1,668,004	1,836,712
519,376	0	519,376	515,857
953,042	0	953,042	886,554
121,486	0	121,486	121,967
368,397	0	368,397	412,909
535,112	273,789	808,901	995,461
0	0	0	0
43,457	( 43,457)	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>4,261,304</u>
<u>4,208,874</u>	<u>230,332</u>	<u>4,439,206</u>	<u>9,030,764</u>
1,373,458	204,746	1,578,204	7,994,177
<u>19,887,410</u>	<u>8,954,888</u>	<u>28,842,298</u>	<u>20,848,121</u>
<u>21,260,868</u>	<u>9,159,634</u>	<u>30,420,502</u>	<u>28,842,298</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>General</b>	<b>CDBG</b>	<b>Public Facility Improvement Fund</b>
<b>Assets</b>			
Cash And Investments	3,598,579	617,182	3,942,628
Cash with Fiscal Agent	0	0	0
Accounts Receivable	279,560	0	0
Loans Receivable	0	3,919,558	0
Prepaid Expenses	40,952	0	138
Total Assets	<u>3,919,091</u>	<u>4,536,740</u>	<u>3,942,766</u>
<b>Liabilities</b>			
Accounts Payable	215,331	2,985	0
Compensated Absences	0	0	0
Other Liabilities	595,034	0	0
Total Liabilities	<u>810,365</u>	<u>2,985</u>	<u>0</u>
<b>Fund Balances</b>			
Reserved	0	0	0
Unreserved	3,108,726	4,533,755	3,942,766
Total Fund Balances	<u>3,108,726</u>	<u>4,533,755</u>	<u>3,942,766</u>
Total Liabilities And Fund Balances	<u>3,919,091</u>	<u>4,536,740</u>	<u>3,942,766</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Capital Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2008	2007
940,129	141,705	1,983,677	11,223,900	11,386,565
287,795	0	0	287,795	282,596
4,901	0	133,003	417,464	717,635
542,423	0	40,000	4,501,981	4,509,546
0	0	0	41,090	71,722
<u>1,775,248</u>	<u>141,705</u>	<u>2,156,680</u>	<u>16,472,230</u>	<u>16,968,064</u>
95,845	0	116,014	430,175	429,271
0	0	0	0	0
0	770,563	110,546	1,476,143	1,510,791
<u>95,845</u>	<u>770,563</u>	<u>226,560</u>	<u>1,906,318</u>	<u>1,940,062</u>
0	0	0	0	0
1,679,403	(628,858)	1,930,120	14,565,912	15,028,002
<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>1,775,248</u>	<u>141,705</u>	<u>2,156,680</u>	<u>16,472,230</u>	<u>16,968,064</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, 2007**

Total fund balances - governmental funds		14,565,912
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	3,360,206	
Construction In Progress	16,330	
Infrastructure net of \$426,273 accumulated depreciation	2,992,120	
Buildings and Improvements, net of \$1,235,131 accumulated depreciation	2,366,314	
Equipment and Vehicles, net of \$1,386,436 accumulated depreciation	<u>1,118,364</u>	
Total capital assets		9,853,334
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	(3,047,999)	
Compensated absences	<u>(110,379)</u>	
Total long-term liabilities		<u>(3,158,378)</u>
Total net assets - governmental activities		<u><u>21,260,868</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<u>General</u>	<u>CDBG</u>	<u>Public Facility Improvement Fund</u>
<b>Revenues</b>			
Property Tax	741,497	0	0
Sales Tax	519,376	0	0
Other Tax And Franchises	1,111,140	0	0
Licenses And Permits	175,247	0	0
Fines And Forfeitures	33,150	0	0
Investment Earnings	224,627	21,469	142,076
Intergovernmental	45,827	346,024	0
Impact Fees	0	0	229,468
Service Charges And Miscellaneous	1,121,006	0	0
Total Revenues	<u>3,971,870</u>	<u>367,493</u>	<u>371,544</u>
<b>Expenditures</b>			
Current			
General Government	363,565	0	0
Public Safety	1,798,208	0	0
Public Works	643,256	0	3,375
Community Development	900,571	55,460	0
Culture And Leisure	131,345	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>3,836,945</u>	<u>55,460</u>	<u>3,375</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>134,925</u>	<u>312,033</u>	<u>368,169</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	222,892	0	0
Operating Transfers Out	(200,000)	0	0
Total Other Financing Sources (Uses)	<u>22,892</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	157,817	312,033	368,169
Fund Balance - Beginning	<u>2,950,909</u>	<u>4,221,722</u>	<u>3,574,597</u>
Fund Balance- Ending	<u>3,108,726</u>	<u>4,533,755</u>	<u>3,942,766</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2008	2007
926,507	0	0	1,668,004	1,836,712
0	0	0	519,376	515,857
0	0	331,785	1,442,925	1,421,430
0	0	11,860	187,107	312,267
0	0	0	33,150	59,629
63,964	6,002	76,974	535,112	620,065
0	0	427,099	818,950	985,039
0	6,482	17,444	253,394	509,039
8,180	2,327	316,560	1,448,073	1,441,234
<u>998,651</u>	<u>14,811</u>	<u>1,181,722</u>	<u>6,906,091</u>	<u>7,701,272</u>
0	0	44,886	408,451	329,797
0	0	30,435	1,828,643	1,644,080
0	50,585	18,853	716,069	810,310
229,952	0	753,597	1,939,580	1,598,714
0	0	0	131,345	107,541
120,000	0	32,412	152,412	201,840
156,581	0	10,999	167,580	163,925
1,274,783	0	792,775	2,067,558	1,430,203
<u>1,781,316</u>	<u>50,585</u>	<u>1,683,957</u>	<u>7,411,638</u>	<u>6,286,410</u>
( 782,665)	( 35,774)	( 502,235)	( 505,547)	1,414,862
0	0	487,111	710,002	181,714
( 200,000)	0	( 266,546)	( 666,546)	(180,306)
( 200,000)	0	220,565	43,457	1,409
( 982,665)	( 35,774)	( 281,670)	( 462,090)	1,416,271
<u>2,662,068</u>	<u>(593,084)</u>	<u>2,211,790</u>	<u>15,028,002</u>	<u>13,611,731</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>

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, 2008**

Net change in fund balances - total governmental funds ( 462,090)

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 (\$2,067,558) exceeded depreciation (\$359,427) in the current period 1,708,131

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. 152,412

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. (24,997)

Changes in net assets of governmental activities 1,373,456

**CITY OF NEWMAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>2008</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	<b>2007 Actual</b>
	<b>Original</b>	<b>Final</b>		<b>With Final Budget Over (Under)</b>	
<b>REVENUES</b>					
Property Tax	737,000	737,000	741,497	4,497	815,487
Sales Tax	500,000	500,000	519,376	19,376	515,857
Other Tax And Franchise Fees	1,048,000	1,048,000	1,111,140	63,140	1,057,830
Licenses And Permits	283,700	283,700	175,247	( 108,453)	299,452
Intergovernmental	143,000	43,000	45,827	2,827	143,947
Fines And Forfeitures	57,000	27,000	33,150	6,150	59,629
Investment Earnings	150,000	150,000	224,627	74,627	177,221
Service Charges And Miscellaneous	<u>1,135,002</u>	<u>1,141,502</u>	<u>1,121,006</u>	<u>( 20,496)</u>	<u>1,194,332</u>
<b>Total Revenues</b>	<u>4,053,702</u>	<u>3,930,202</u>	<u>3,971,870</u>	<u>41,668</u>	<u>4,263,755</u>
<b>EXPENDITURES</b>					
General Government	373,981	389,680	363,565	( 26,115)	313,949
Public Safety	1,975,073	1,954,849	1,798,208	( 156,641)	1,639,962
Public Works	711,264	711,264	643,256	( 68,008)	633,673
Community Development	1,022,140	1,022,140	900,571	( 121,569)	971,371
Recreation And Leisure	140,242	140,242	131,345	( 8,897)	107,542
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,720</u>
<b>Total Expenditures</b>	<u>4,222,700</u>	<u>4,218,175</u>	<u>3,836,945</u>	<u>( 381,230)</u>	<u>3,678,217</u>
<b>Excess (Deficiency) Of Revenues     Over Expenditures</b>	<u>( 168,998)</u>	<u>( 287,973)</u>	<u>134,925</u>	<u>422,898</u>	<u>585,538</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	178,000	234,346	222,892	( 11,454)	180,306
Transfers Out	<u>( 143,654)</u>	<u>( 200,000)</u>	<u>( 200,000)</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Sources And (Uses)</b>	<u>34,346</u>	<u>34,346</u>	<u>22,892</u>	<u>( 11,454)</u>	<u>180,306</u>
<b>Net Change In Fund Balance</b>	<u>( 134,652)</u>	<u>( 253,627)</u>	<u>157,817</u>	<u>411,444</u>	<u>765,844</u>
Fund Balance - Beginning	<u>2,950,909</u>	<u>2,950,909</u>	<u>2,950,909</u>	<u>0</u>	<u>2,185,065</u>
Fund Balance - Ending	<u>2,816,257</u>	<u>2,697,282</u>	<u>3,108,726</u>	<u>411,444</u>	<u>2,950,909</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	2008			Variance With Final Budget Over (Under)	2007 Actual
	Budgeted Amounts		Actual		
	Original	Final			
General Government					
City Council	194,069	259,634	246,687	( 12,947)	50,960
City Manager	150,631	157,131	158,264	1,133	97,724
City Clerk	36,716	36,716	37,191	475	39,755
Finance And Treasurer	136,199	136,199	121,423	( 14,776)	128,909
Total General Government	<u>517,615</u>	<u>589,680</u>	<u>563,565</u>	<u>( 26,115)</u>	<u>317,348</u>
Public Safety					
Police	1,869,750	1,837,096	1,704,330	( 132,766)	1,560,057
Fire	105,323	117,753	93,878	( 23,875)	79,905
Total Public Safety	<u>1,975,073</u>	<u>1,954,849</u>	<u>1,798,208</u>	<u>( 156,641)</u>	<u>1,639,962</u>
Public Works					
Government Buildings	80,027	80,027	80,111	84	56,465
Government Auxiliary	184,300	184,300	101,622	( 82,678)	151,192
Street Maintenance	268,693	268,693	304,639	35,946	261,803
Parks	178,244	178,244	156,884	( 21,360)	164,213
Total Public Works	<u>711,264</u>	<u>711,264</u>	<u>643,256</u>	<u>( 68,008)</u>	<u>633,673</u>
Community Development					
Planning	140,198	140,198	112,960	( 27,238)	107,964
Building Regulation	260,442	260,442	177,390	( 83,052)	265,830
Refuse Disposal	592,200	592,200	585,170	( 7,030)	592,034
Corporation Yard	4,300	4,300	3,386	( 914)	4,169
Engineering	25,000	25,000	21,665	( 3,335)	2,747
Total Community Development	<u>1,022,140</u>	<u>1,022,140</u>	<u>900,571</u>	<u>( 121,569)</u>	<u>972,744</u>
Recreation And Leisure					
Recreation	140,242	140,242	131,345	( 8,897)	114,489
Total Culture And Leisure	<u>140,242</u>	<u>140,242</u>	<u>131,345</u>	<u>( 8,897)</u>	<u>114,489</u>
Total General Fund	<u>4,366,334</u>	<u>4,418,175</u>	<u>4,036,945</u>	<u>( 381,230)</u>	<u>3,678,216</u>

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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>2008</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2007 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	27,600	27,600	21,469	( 6,131)	31,367
Intergovernmental	<u>79,000</u>	<u>79,000</u>	<u>346,024</u>	<u>267,024</u>	<u>264,855</u>
Total Revenues	<u>106,600</u>	<u>106,600</u>	<u>367,493</u>	<u>260,893</u>	<u>296,222</u>
<b>EXPENDITURES</b>					
Supplies And Services	99,400	99,400	55,460	( 43,940)	152,621
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>99,400</u>	<u>99,400</u>	<u>55,460</u>	<u>( 43,940)</u>	<u>152,621</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>7,200</u>	<u>7,200</u>	<u>312,033</u>	<u>304,833</u>	<u>143,601</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	7,200	7,200	312,033	304,833	143,601
Fund Balance - Beginning	<u>4,221,722</u>	<u>4,221,722</u>	<u>4,221,722</u>	<u>0</u>	<u>4,078,121</u>
Fund Balance - Ending	<u>4,228,922</u>	<u>4,228,922</u>	<u>4,533,755</u>	<u>304,833</u>	<u>4,221,722</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	2008				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2007 Actual
	Original	Final			
<b>REVENUES</b>					
Interest Income	69,709	69,709	63,964	( 5,745)	94,725
Property Taxes	913,000	866,989	926,507	59,518	1,021,225
Intergovernmental	0	0	0	0	10,010
Miscellaneous Revenues	32,677	32,677	8,180	( 24,497)	126,947
Total Revenues	<u>1,015,386</u>	<u>969,375</u>	<u>998,651</u>	<u>29,276</u>	<u>1,252,907</u>
<b>EXPENDITURES</b>					
Salaries And Benefits	95,567	95,567	93,609	( 1,958)	76,005
Supplies And Services	143,698	213,898	136,343	( 77,555)	173,723
Capital Outlay	75,000	1,283,000	1,274,783	( 8,217)	10,000
Debt Service					
Principal	120,000	120,000	120,000	0	201,840
Interest & Other Charges	156,581	156,581	156,581	0	163,925
Total Expenditures	<u>590,846</u>	<u>1,869,046</u>	<u>1,781,316</u>	<u>( 87,730)</u>	<u>625,493</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>424,540</u>	<u>( 899,671)</u>	<u>( 782,665)</u>	<u>117,006</u>	<u>627,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	( 200,000)	( 200,000)	( 200,000)	0	0
Total Other Financing Sources And (Uses)	<u>( 200,000)</u>	<u>( 200,000)</u>	<u>( 200,000)</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	224,540	( 1,099,671)	( 982,665)	117,006	627,414
Fund Balance - Beginning	<u>2,662,068</u>	<u>2,662,068</u>	<u>2,662,068</u>	<u>0</u>	<u>2,034,654</u>
Fund Balance - Ending	<u>2,886,608</u>	<u>1,562,397</u>	<u>1,679,403</u>	<u>117,006</u>	<u>2,662,068</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	2008				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2007 Actual
	Original	Final			
<b>REVENUES</b>					
Interest Income	8,700	8,700	6,002	( 2,698)	9,928
Impact Fees	167,000	83,500	6,482	( 77,018)	33,089
Service Charges And Miscellaneous	<u>0</u>	<u>0</u>	<u>2,327</u>	<u>2,327</u>	<u>4,443</u>
Total Revenues	<u>175,700</u>	<u>92,200</u>	<u>14,811</u>	<u>( 77,389)</u>	<u>47,460</u>
<b>EXPENDITURES</b>					
Supplies And Services	100,000	100,000	50,585	( 49,415)	18,900
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>777,653</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>50,585</u>	<u>( 49,415)</u>	<u>796,553</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>75,700</u>	<u>( 7,800)</u>	<u>( 35,774)</u>	<u>( 27,974)</u>	<u>( 749,093)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	75,700	( 7,800)	( 35,774)	( 27,974)	( 749,093)
Fund Balance - Beginning	( 593,084)	( 593,084)	( 593,084)	0	156,009
Fund Balance - Ending	<u>( 517,384)</u>	<u>( 600,884)</u>	<u>( 628,858)</u>	<u>0</u>	<u>( 593,084)</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, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>2008</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2007 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	150,000	150,000	142,076	( 7,924)	187,864
Impact Fees	<u>956,300</u>	<u>487,150</u>	<u>229,468</u>	<u>( 257,682)</u>	<u>368,328</u>
Total Revenues	<u>1,106,300</u>	<u>637,150</u>	<u>371,544</u>	<u>( 265,606)</u>	<u>556,192</u>
<b>EXPENDITURES</b>					
Salaries And Benefits	0	0	0	0	0
Supplies And Services	50,000	50,000	3,375	( 46,625)	136,847
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>3,375</u>	<u>( 46,625)</u>	<u>136,847</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>1,056,300</u>	<u>587,150</u>	<u>368,169</u>	<u>( 218,981)</u>	<u>419,345</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	1,056,300	587,150	368,169	( 218,981)	419,345
Fund Balance - Beginning	<u>3,574,597</u>	<u>3,574,597</u>	<u>3,574,597</u>	<u>0</u>	<u>3,155,252</u>
Fund Balance - Ending	<u>4,630,897</u>	<u>4,161,747</u>	<u>3,942,766</u>	<u>( 218,981)</u>	<u>3,574,597</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>Business-Type Activities-Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	
			<b>2008</b>	<b>2007</b>
<b>Assets</b>				
Cash And Investments	5,023,854	1,657,890	6,681,744	6,880,876
Cash With Fiscal Agent	283,628	0	283,628	285,640
Accounts Receivable	214,108	101,231	315,339	250,076
Fixed Assets	5,882,388	2,733,409	8,615,797	8,507,902
Accumulated Depreciation	( 2,931,335)	( 757,488)	( 3,688,823)	(3,491,945)
Due From Other Funds	0	0	0	0
<b>Total Assets</b>	<b><u>8,472,643</u></b>	<b><u>3,735,042</u></b>	<b><u>12,207,685</u></b>	<b><u>12,432,549</u></b>
<b>Liabilities</b>				
Accounts Payable	49,661	34,047	83,708	131,781
Customer Deposits	0	28,956	28,956	20,955
Compensated Absences	31,610	18,787	50,397	41,935
Other Liabilities	0	100,990	100,990	100,990
Loan Payable	2,150,000	0	2,150,000	2,315,000
Bond Payable	0	634,000	634,000	867,000
<b>Total Liabilities</b>	<b><u>2,231,271</u></b>	<b><u>816,780</u></b>	<b><u>3,048,051</u></b>	<b><u>3,477,661</u></b>
<b>Net Assets</b>				
Invested In Capital Assets, Net Of Related Debt	801,053	1,341,921	2,142,974	2,243,957
Restricted For Debt Service	283,628	0	283,628	285,640
Unrestricted	<u>5,156,691</u>	<u>1,576,341</u>	<u>6,733,032</u>	<u>6,425,291</u>
<b>Total Net Assets</b>	<b><u>6,241,372</u></b>	<b><u>2,918,262</u></b>	<b><u>9,159,634</u></b>	<b><u>8,954,888</u></b>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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**CITY OF NEWMAN  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 FOR THE ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>Business-Type Activities-Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	
			<b>2008</b>	<b>2007</b>
<b>Operating Revenues</b>				
Service Charges	1,472,032	685,493	2,157,525	2,125,327
Miscellaneous Revenues	65,386	349	65,735	116,803
Total Operating Revenues	<u>1,537,418</u>	<u>685,842</u>	<u>2,223,260</u>	<u>2,242,130</u>
<b>Operating Expenses</b>				
Employee Services	436,012	342,238	778,250	683,444
Supplies And Services	911,549	561,631	1,473,180	1,204,719
Depreciation	124,423	72,455	196,878	198,529
Total Operating Expenses	<u>1,471,984</u>	<u>976,324</u>	<u>2,448,308</u>	<u>2,086,692</u>
Operating Income (Loss)	<u>65,434</u>	<u>( 290,482)</u>	<u>( 225,048)</u>	<u>155,438</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Earnings	207,208	66,581	273,789	375,396
Connection Fees	109,510	49,680	159,190	361,350
Development Fees	186,736	4,533	191,269	260,051
Development Contribution	0	0	0	1,454,319
Interest Expense	<u>( 118,597)</u>	<u>( 32,400)</u>	<u>( 150,997)</u>	<u>(166,525)</u>
Total Nonoperating Revenues (Expenses)	<u>384,857</u>	<u>88,394</u>	<u>473,251</u>	<u>2,284,591</u>
Income Before Transfers	<u>450,291</u>	<u>( 202,088)</u>	<u>248,203</u>	<u>2,440,029</u>
Operating Transfer In	0	0	0	0
Operating Transfer Out	<u>( 43,457)</u>	<u>0</u>	<u>( 43,457)</u>	<u>( 1,409)</u>
Total Other Financing Sources (Uses)	<u>( 43,457)</u>	<u>0</u>	<u>( 43,457)</u>	<u>( 1,409)</u>
Change In Net Assets	406,834	( 202,088)	204,746	2,438,620
Total Net Assets - Beginning	<u>5,834,538</u>	<u>3,120,350</u>	<u>8,954,888</u>	<u>6,516,268</u>
Total Net Assets - Ending	<u>6,241,372</u>	<u>2,918,262</u>	<u>9,159,634</u>	<u>8,954,888</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

	<b>Business-Type Activities-Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	
			<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts From Customers And Users	1,502,205	663,793	2,165,998	2,172,222
Payments To Suppliers	( 972,454)	( 548,799)	( 1,521,252)	(1,159,920)
Payments To Employees	( 429,249)	( 340,539)	( 769,788)	(682,669)
Net Cash Provided By Operating Activities	<u>100,502</u>	<u>( 225,545)</u>	<u>( 125,043)</u>	<u>329,633</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer Ins	0	0	0	0
Transfer Out	( 43,457)	0	( 43,457)	(1,409)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>( 43,457)</u>	<u>0</u>	<u>( 43,457)</u>	<u>(1,409)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Connection Fees	109,510	49,680	159,190	361,350
Development Fees	186,736	4,533	191,269	260,051
Purchase Of Capital Assets	( 57,793)	( 50,102)	( 107,895)	(51,817)
Principal Paid On Capital Debt	( 370,000)	( 28,000)	( 398,000)	(194,000)
Interest Paid On Capital Debt	( 118,597)	( 32,400)	( 150,997)	(166,525)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>( 250,144)</u>	<u>( 56,289)</u>	<u>( 306,433)</u>	<u>209,059</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	<u>207,208</u>	<u>66,581</u>	<u>273,789</u>	<u>375,396</u>
Net Cash Provided By Investing Activities	<u>207,208</u>	<u>66,581</u>	<u>273,789</u>	<u>375,396</u>
Net Increase In Cash And Cash Equivalents	14,109	( 215,253)	( 201,144)	912,679
Cash And Equivalents, July 1	<u>5,293,373</u>	<u>1,873,143</u>	<u>7,166,516</u>	<u>6,253,837</u>
Cash And Equivalents, June 30	<u>5,307,482</u>	<u>1,657,890</u>	<u>6,965,372</u>	<u>7,166,516</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**Reconciliation Of Operating Income To  
Net Cash Provided (Used) By Operating  
Activities**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Operating Income	<u>65,434</u>	<u>( 290,482)</u>	<u>( 225,048)</u>	<u>155,438</u>
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	124,423	72,455	196,878	198,539
(Increase) Decrease In Accounts Receivable	( 35,213)	( 30,050)	( 65,263)	(75,154)
Increase (Decrease) In Accounts Payable	( 60,905)	12,832	( 48,073)	44,798
Compensated Absences	6,763	1,699	8,462	775
Customer Deposits	<u>0</u>	<u>8,001</u>	<u>8,001</u>	<u>5,246</u>
Net Cash Provided (Used) By Operating Activities	<u><u>100,502</u></u>	<u><u>( 225,545)</u></u>	<u><u>( 125,043)</u></u>	<u><u>329,641</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**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.

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

**CITY OF NEWMAN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

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.

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

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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.

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

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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
- 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.

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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. 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	5%
	<u>100%</u>

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**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.

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.

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**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.

**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

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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, 2008, the following fund has a deficit fund balance:

Storm Drain Fund	\$628,858
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Storm Drain Fund will be reimbursed by future assessments and fees collected from developers within the development district.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash And Investments**

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	17,905,644
Cash and investments held by bond trustee	<u>571,423</u>
Total cash and investments	<u>18,477,067</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	1,000
Deposits with financial institutions	3,490,877
Investments in LAIF	14,985,190
Total cash and investments	<u>18,477,067</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.

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**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 5.7 months.

		<u>Maturity Date</u>
State investment pool	<u>14,985,190</u>	5.7 months average maturity
Total	<u>14,985,190</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.

**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.

\$2,256,438 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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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.

**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, 2008 is \$571,423 and consists of \$283,628 in the Sewer Fund and \$287,795 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.

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**B. Accounts Receivable**

Receivables at June 30, 2008 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>CDBG</u>	<u>RDA</u>	<u>Non-Major Govern- mental</u>	<u>Total</u>
Activities:					
Interest	0	0	0	0	0
Taxes	20,261	0	4,901	0	25,162
Utility Billing	66,371	0	0	0	66,371
Intergovernmental	182,502	0	0	133,003	315,505
Other	10,426	0	0	0	10,426
Total	<u>279,560</u>	<u>0</u>	<u>4,901</u>	<u>133,003</u>	<u>417,464</u>

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Utility Billing	101,232	198,832	300,064
Other	0	15,275	15,275
Total	<u>101,232</u>	<u>214,107</u>	<u>315,339</u>

**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, 2008 is \$3,959,558. Additional Loans Receivable of the Redevelopment Agency are as follows:

The Agency had the following loans receivables as of June 30, 2008:

Westside Village	377,790
Bigelow #2	141,831
Caetano Pometta	10,478
Bigelow #3	<u>12,324</u>
Total	<u>542,423</u>

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**C. Loans Receivable – continued**

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, 2008 was \$10,478.

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, 2008 was \$377,790.

Two loans were issued to Lloyd Bigelow. Loan terms as follows:

	Amount	Interest Rate	Date Issued	Monthly Payments	Balance 6/30/2008	Term
Bigelow #2	190,231	5.00%	1/1/2002	\$1,504	141,831	15 yrs
Bigelow #3	22,500	5.00%	7/1/2002	\$434	12,324	5 yrs

**D. Transfers**

Interfund transfers for the year ended June 30, 2008 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	222,357	200,000
Grants Fed	243,457	0
Redevelopment Agency	0	200,000
Gas Tax	0	163,538
Employee Home Loans	200,000	0
COPS Grant	0	102,473
Planning	0	43,457
Capital Repair	43,654	0
Total	<u>709,468</u>	<u>709,468</u>

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**E. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental-type Activities</b>				
Capital assets not being depreciated:				
Land	2,130,371	1,229,834	0	3,360,205
Construction In Progress	<u>82,981</u>	<u>0</u>	<u>( 66,651)</u>	<u>16,330</u>
Total capital assets not being depreciated	<u>2,213,352</u>	<u>1,229,834</u>	<u>( 66,651)</u>	<u>3,376,535</u>
Capital assets being depreciated:				
Infrastructure	3,418,393	0	0	3,418,393
Equipment And Vehicles	2,255,148	249,651	0	2,504,799
Building And Improvements	<u>2,946,721</u>	<u>654,724</u>	<u>0</u>	<u>3,601,445</u>
Total capital assets being depreciated	<u>8,620,262</u>	<u>904,375</u>	<u>0</u>	<u>9,524,637</u>
Less accumulated depreciation for:				
Infrastructure	( 305,493)	( 120,780)	0	( 426,273)
Equipment And Vehicles	( 1,247,109)	( 139,327)	0	( 1,386,436)
Building And Improvements	<u>( 1,135,811)</u>	<u>( 99,320)</u>	<u>0</u>	<u>( 1,235,131)</u>
Total accumulated depreciation	<u>( 2,688,413)</u>	<u>( 359,427)</u>	<u>0</u>	<u>( 3,047,840)</u>
Net capital assets being depreciated	<u>5,931,849</u>	<u>544,948</u>	<u>0</u>	<u>6,476,797</u>
Total net capital assets - Governmental-type activities	<u>8,145,201</u>	<u>1,774,782</u>	<u>( 66,651)</u>	<u>9,853,332</u>

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

Government Activities:

General Government	25,076
Public Safety	84,400
Public Works	192,024
Community Development	48,047
Culture and Leisure	<u>9,880</u>
Total Depreciation expense – Government activities	<u>359,427</u>

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**E. Capital Assets – continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	1,460,000	0	0	1,460,000
Total capital assets not being depreciated	<u>1,460,000</u>	<u>0</u>	<u>0</u>	<u>1,460,000</u>
Capital assets being depreciated:				
Infrastructure	6,239,417	0	0	6,239,417
Equipment And Vehicles	700,920	107,894	0	808,814
Building And Improvements	<u>107,565</u>	<u>0</u>	<u>0</u>	<u>107,565</u>
Total capital assets being depreciated	<u>7,047,902</u>	<u>107,894</u>	<u>0</u>	<u>7,155,796</u>
Less accumulated depreciation for:				
Infrastructure	( 2,838,576)	( 154,601)	0	( 2,993,177)
Equipment And Vehicles	( 583,474)	( 38,089)	0	( 621,563)
Building And Improvements	<u>( 69,895)</u>	<u>( 4,188)</u>	<u>0</u>	<u>( 74,083)</u>
Total accumulated depreciation	<u>( 3,491,945)</u>	<u>( 196,878)</u>	<u>0</u>	<u>( 3,688,823)</u>
Net capital assets being depreciated	<u>3,555,957</u>	<u>( 88,984)</u>	<u>0</u>	<u>3,466,973</u>
Total net capital assets - Business-type activities	<u>5,015,957</u>	<u>( 88,984)</u>	<u>0</u>	<u>4,926,973</u>

**Business- Type Activities:**

Water	72,455
Sewer	<u>124,423</u>
Total Depreciation expense – business-type activities	<u>196,878</u>

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**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 \$2,860,000 as of June 30, 2008.

Year Ending June 30	Principal	Interest	Total
2009	125,000	149,800	274,800
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
2014-2018	690,000	518,059	1,208,059
2019-2023	725,000	325,499	1,050,499
2024-2028	835,000	116,772	951,772
	<u>2,860,000</u>	<u>1,649,194</u>	<u>4,509,194</u>

**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 \$187,999 as of June 30, 2008.

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**F. Long-Term Debt-continued**

**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, 2008 is \$634,000.

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	29,000	30,975	59,975
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
2014-2018	207,000	93,100	300,100
2019-2023	265,000	31,910	296,910
<b>Total</b>	<b>634,000</b>	<b>264,110</b>	<b>898,110</b>

**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, 2008 were \$2,150,000.

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	170,000	107,872	277,872
2010	180,000	100,052	280,052
2011	190,000	91,592	281,592
2012	195,000	82,330	277,330
2013	205,000	72,580	277,580
2014-2018	1,210,000	194,472	1,404,472
<b>Total</b>	<b>2,150,000</b>	<b>648,898</b>	<b>2,798,898</b>

**CITY OF NEWMAN  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**F. Long-Term Debt-continued**

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, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Loans Payable	220,411	0	( 32,412)	187,999	32,412
Certificate of Participaqtion	2,980,000	0	( 120,000)	2,860,000	125,000
Compensated Absences	85,382	24,997	0	110,379	0
Long-term liabilities of Governmental Activities:	<u>3,285,793</u>	<u>24,997</u>	<u>( 152,412)</u>	<u>3,158,378</u>	<u>157,412</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
Bonds	867,000	0	( 233,000)	634,000	29,000
Certificate of Participaqtion	2,315,000	0	( 165,000)	2,150,000	170,000
Compensated Absences	41,935	8,462	0	50,397	0
Long-term liabilities of Governmental Activities:	<u>3,223,935</u>	<u>8,462</u>	<u>( 398,000)</u>	<u>2,834,397</u>	<u>199,000</u>

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**G. Payables And Other Liabilities**

Payables at June 30, 2008 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General</u>	<u>Storm Drain</u>	<u>CDBG</u>	<u>Redevelop- ment Agency</u>	<u>Non-major Govern- mental</u>	<u>Total</u>
Activities:						
Vendors	215,331	0	2,985	95,845	116,014	430,175
Developer Deposits	<u>595,034</u>	<u>770,563</u>	<u>0</u>	<u>0</u>	<u>110,546</u>	<u>1,476,143</u>
Total	<u><u>810,365</u></u>	<u><u>770,563</u></u>	<u><u>2,985</u></u>	<u><u>95,845</u></u>	<u><u>226,560</u></u>	<u><u>1,906,318</u></u>

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Vendors	34,047	49,661	83,708
Customer Deposits	28,956	0	28,956
Developer Deposits	<u>100,990</u>	<u>0</u>	<u>100,990</u>
Total	<u><u>163,993</u></u>	<u><u>49,661</u></u>	<u><u>213,654</u></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

**CITY OF NEWMAN**  
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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.

The financial position and results of operations for the CSJVRMA, as of June 30, 2007, are presented below:

Total Assets	<u>50,198,598</u>
Total Liabilities	41,675,008
Total Net Assets	<u>8,523,590</u>
Total Liabilities & Retained Earnings	<u>50,198,598</u>
Total Revenues for Year	24,274,050
Total Expenses for Year	<u>25,421,851</u>
Net Income for Year	<u>(1,147,801)</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

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their Executive Office – 400 P Street – Sacramento CA 95814.

Participants are required to contribute 7% (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.

For June 30, 2008, the City’s annual pension cost was \$337,6693 due to excess PERS funds determined as part of the June 30, 2007, 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, 2007, 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>
06/30/06	\$409,326	100%	0
06/30/07	\$308,611	100%	0
06/30/08	\$337,693	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.

**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.

**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.

**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.

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

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

**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.

**COMBINING FINANCIAL STATEMENTS**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

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

**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.

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

**CITY OF NEWMAN  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

	<b>Program Income Misc. Fund</b>	<b>Park Facility Fee Fund</b>	<b>State Grants Fund</b>	<b>Safety Grants Fund</b>	<b>Abandoned Vehicle Program</b>
<b>Assets</b>					
Cash And Investments	1,542	342,122	3,386	109,143	3,734
Cash with Fiscal Agent	0	0	0	0	0
Accounts Receivable	0	0	0	725	1,648
Loans Receivable	0	0	0	0	0
Due From Other Funds	0	0	0	0	0
<b>Total Assets</b>	<b>1,542</b>	<b>342,122</b>	<b>3,386</b>	<b>109,868</b>	<b>5,382</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	0	12,836	1,828	54,426	0
Compensated Absences	0	0	0	0	0
Other Liabilities	0	110,546	0	0	0
Due To Other Funds	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>123,382</b>	<b>1,828</b>	<b>54,426</b>	<b>0</b>
<b>Fund Balances</b>					
Reserved	0	0	0	0	0
Unreserved	1,542	218,740	1,558	55,442	5,382
<b>Total Fund Balances</b>	<b>1,542</b>	<b>218,740</b>	<b>1,558</b>	<b>55,442</b>	<b>5,382</b>
<b>Total Liabilities And Fund Balances</b>	<b>1,542</b>	<b>342,122</b>	<b>3,386</b>	<b>109,868</b>	<b>5,382</b>

**CITY OF NEWMAN  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

<b>Gas Tax Fund</b>	<b>Employee Home Loan Fund</b>	<b>K-9 Fund</b>	<b>COPS Grant Fund</b>	<b>Asset Forfeit Fund</b>	<b>Local Transportation Fund</b>	<b>County CDBG Construction Fund</b>
0	161,184	31,427	0	959	414,980	47,464
0	0	0	0	0	0	0
45,453	0	0	0	0	58,916	26,261
0	40,000	0	0	0	0	0
0	0	0	0	0	0	0
<u>45,453</u>	<u>201,184</u>	<u>31,427</u>	<u>0</u>	<u>959</u>	<u>473,896</u>	<u>73,725</u>
0	0	0	0	0	0	24,073
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>0</u>	<u>24,073</u>
0	0	0	0	0	0	0
<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>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>45,453</u>	<u>201,184</u>	<u>31,427</u>	<u>0</u>	<u>959</u>	<u>473,896</u>	<u>73,725</u>

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**CITY OF NEWMAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

	Business License Surcharge Fund	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
					2008	2007
<b>Assets</b>						
Cash And Investments	7,025	188,610	193,936	478,165	1,983,677	2,272,382
Cash with Fiscal Agent	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	133,003	217,058
Loans Receivable	0	0	0	0	40,000	0
Due From Other Funds	0	0	0	0	0	0
<b>Total Assets</b>	<b>7,025</b>	<b>188,610</b>	<b>193,936</b>	<b>478,165</b>	<b>2,156,680</b>	<b>2,489,440</b>
<b>Liabilities And Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	232	16,971	0	5,648	116,014	167,104
Compensated Absences	0	0	0	0	0	0
Other Liabilities	0	0	0	0	110,546	110,546
Due To Other Funds	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>232</b>	<b>16,971</b>	<b>0</b>	<b>5,648</b>	<b>226,560</b>	<b>277,650</b>
<b>Fund Balances</b>						
Reserved	0	0	0		0	0
Unreserved	6,793	171,639	193,936	472,517	1,930,120	2,211,790
<b>Total Fund Balances</b>	<b>6,793</b>	<b>171,639</b>	<b>193,936</b>	<b>472,517</b>	<b>1,930,120</b>	<b>2,211,790</b>
<b>Total Liabilities And Fund Balances</b>	<b>7,025</b>	<b>188,610</b>	<b>193,936</b>	<b>478,165</b>	<b>2,156,680</b>	<b>2,489,440</b>

**CITY OF NEWMAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

	<b>Program Income Misc. Fund</b>	<b>Park Facility Fee Fund</b>	<b>State Grants Fund</b>	<b>Safety Grants Fund</b>	<b>Abandoned Vehicle Program</b>
<b>Revenues</b>					
Investment Earnings	58	19,061	211	0	28
Intergovernmental	0	0	5,000	0	6,703
Property Taxes	0	0	0	0	0
Other Taxes	0	0	0	0	0
Impact Fees	0	17,444	0	0	0
Licenses And Permits	0	0	0	0	0
Service Charges And Miscellaneous	0	0	0	0	0
<b>Total Revenues</b>	<b>58</b>	<b>36,505</b>	<b>5,211</b>	<b>0</b>	<b>6,731</b>
<b>Expenditures</b>					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	4,577
Public Works	0	0	4,753	0	0
Community Development	0	112,890	0	173,097	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	107,223	0	0	0
<b>Total Expenditures</b>	<b>0</b>	<b>220,113</b>	<b>4,753</b>	<b>173,097</b>	<b>4,577</b>
Excess(Deficiency) Of Revenues Over Expenditures	58 (	183,608)	458 (	173,097)	2,154
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	0	243,457	0
Operating Transfers Out	0	0	0	0	( 535)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>243,457</b>	<b>( 535)</b>
<b>Net Change In Fund Balances</b>	<b>58 (</b>	<b>183,608)</b>	<b>458</b>	<b>70,360</b>	<b>1,619</b>
Fund Balance - Beginning	1,484	402,348	1,100	( 14,918)	3,763
Fund Balance - Ending	1,542	218,740	1,558	55,442	5,382

**CITY OF NEWMAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

<b>Gas Tax Fund</b>	<b>Employee Home Loan Fund</b>	<b>K-9 Fund</b>	<b>COPS Grant Fund</b>	<b>Asset Forfeit Fund</b>	<b>Local Transportation Fund</b>	<b>County County CDBG Fund</b>	<b>Business License Surcharge Fund</b>
4,618	1,184	0	2,473	36	13,591	1,601	590
0	0	0	100,000	0	129,468	185,928	0
0	0	0	0	0	0	0	0
189,473	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	11,860
0	0	75,603	0	0	150,423	0	0
<u>194,091</u>	<u>1,184</u>	<u>75,603</u>	<u>102,473</u>	<u>36</u>	<u>293,482</u>	<u>187,529</u>	<u>12,450</u>
0	0	0	0	0	0	0	24,602
0	0	25,858	0	0	0	0	0
0	0	0	0	0	14,100	0	0
0	0	0	0	0	0	298,293	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	18,318	0	0	310,980	207,555	0
<u>0</u>	<u>0</u>	<u>44,176</u>	<u>0</u>	<u>0</u>	<u>325,080</u>	<u>505,848</u>	<u>24,602</u>
<u>194,091</u>	<u>1,184</u>	<u>31,427</u>	<u>102,473</u>	<u>36</u>	<u>( 31,598)</u>	<u>( 318,319)</u>	<u>( 12,152)</u>
0	200,000	0	0	0	0	0	0
<u>( 163,538)</u>	<u>0</u>	<u>0</u>	<u>( 102,473)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>( 163,538)</u>	<u>200,000</u>	<u>0</u>	<u>( 102,473)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
30,553	201,184	31,427	0	36	( 31,598)	( 318,319)	( 12,152)
<u>14,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>923</u>	<u>505,494</u>	<u>367,971</u>	<u>18,945</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>

**CITY OF NEWMAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2007**

**Special Revenue**

	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
				2008	2007
<b>Revenues</b>					
Investment Earnings	6,330	7,296	19,897	76,974	118,960
Intergovernmental	0	0	0	427,099	566,227
Property Taxes	0	0	0	0	0
Other Taxes	142,312	0	0	331,785	363,600
Impact Fees	0	0	0	17,444	107,622
Licenses And Permits	0	0	0	11,860	12,815
Service Charges And Miscellaneous	0	0	90,534	316,560	115,512
<b>Total Revenues</b>	<b>148,642</b>	<b>7,296</b>	<b>110,431</b>	<b>1,181,722</b>	<b>1,284,736</b>
<b>Expenditures</b>					
General Government	0	0	20,284	44,886	22,944
Public Safety	0	0	0	30,435	3,393
Public Works	0	0	0	18,853	4,560
Community Development	169,317	0	0	753,597	204,162
Culture And Leisure	0	0	0	0	0
Debt Service					
Principal	0	0	32,412	32,412	0
Interest & Other Charges	0	0	10,999	10,999	0
Capital Outlay	0	0	148,699	792,775	661,621
<b>Total Expenditures</b>	<b>169,317</b>	<b>0</b>	<b>212,394</b>	<b>1,683,957</b>	<b>896,680</b>
Excess(Deficiency) Of Revenues Over Expenditures	( 20,675)	7,296	( 101,963)	( 502,235)	388,056
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	43,654	487,111	1,409
Operating Transfers Out	0	0	0	( 266,546)	( 180,306)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>43,654</b>	<b>220,565</b>	<b>( 178,897)</b>
<b>Net Change In Fund Balances</b>	<b>( 20,675)</b>	<b>7,296</b>	<b>( 58,309)</b>	<b>( 281,670)</b>	<b>209,160</b>
Fund Balance - Beginning	192,314	186,640	530,826	2,211,790	2,002,630
<b>Fund Balance - Ending</b>	<b>171,639</b>	<b>193,936</b>	<b>472,517</b>	<b>1,930,120</b>	<b>2,211,790</b>

## **OTHER REPORTS**

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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, 2008 and 2007, and have issued our report thereon dated October 30, 2008. 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,*

**CLENDENIN BIRD & COMPANY, PC**

Modesto, California

October 30, 2008

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Robert C. Kehl

**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, 2008 and 2007, and have issued our report thereon dated October 30, 2008. 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,*  
**CLENDENIN BIRD & COMPANY, PC**

Modesto, California  
October 30, 2008

