

CITY OF NEWMAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010



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, 2010 and 2009, 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, 2010 and 2009, and the respective changes in financial position and cash flows of its proprietary fund types for the years then ended in conformity with accounting principles generally accepted in the United States of America.



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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2010 on our consideration of the City of Newman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Clendenin Bird & Company,

CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 4, 2010

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The following discussion provides readers of the City of Newman's financial statements a narrative overview and analysis of the financial activities of the City of Newman for the fiscal year ended June 30, 2010. Please read this document in conjunction with the accompanying Basic Financial Statements.

The City of Newman (the City) has been impacted by the weakness in the economy in fiscal year 2010. Revenues as sales tax and property tax decreased. The City's financial highlights are presented below:

FISCAL YEAR 2010 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2010 include the following:

Entity-wide:

- The City's total net assets were \$32,771,967 as of June 30, 2010. Of this total, \$21,967,041 were Governmental assets and \$10,804,926 were Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$2,954,776 and general revenues and transfers of \$2,772,407 for a total of \$5,727,183.
- Entity-wide Governmental expenses were \$5,826,371.
- Entity-wide Business-type program revenues and interest revenue were \$3,364,445 while Business-type expenses and transfers were \$2,469,899.

Fund Level:

- Governmental Fund balances decreased \$943,322 in fiscal year 2010.
- Governmental Fund revenues decreased \$505,350 in fiscal year 2010.
- Governmental Fund expenditures increased \$442,336 in fiscal year 2010.

General Fund:

- General Fund revenues of \$3,271,725 were \$297,609 less than the prior year.
- General Fund expenditures of \$3,608,701 represent an increase of \$435,233 over the prior year.
- General Fund balance of \$2,978,834 as of June 30, 2010, is up \$8,323 from the fiscal year 2009's fund balance of \$2,970,511.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into two parts:

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

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The Basic Financial Statements

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

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

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

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

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

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

The Entity-wide Financial Statements

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

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

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

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

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

Fund Financial Statements

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

In the City's case, there are four Major Governmental Funds in addition to the General Fund: The CDBG Fund (Funds 15, 19 and 26), the Public Facility Improvement Fund, the Redevelopment Capital Fund, and the Storm Drain 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

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Statement of Activities, while Tables 4 and 5 focus on the City's Business-type Statement of Net Assets and Statement of Activities.

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2010

	2010	2009
Cash and Investments	\$ 10,567,413	\$ 11,923,454
Other Assets	5,181,513	4,970,934
Capital Assets	<u>11,029,780</u>	<u>10,322,064</u>
Total Assets	<u>26,778,706</u>	<u>27,216,452</u>
Long-Term Debt Outstanding	2,738,241	2,888,970
Other Liabilities	<u>2,073,846</u>	<u>2,261,253</u>
Total Liabilities	<u>4,812,087</u>	<u>5,150,223</u>
Net Assets:		
Invested In Capital Assets, Net of Debt	8,291,539	7,433,094
Restricted	10,268,268	11,123,935
Unrestricted	<u>3,406,812</u>	<u>3,509,200</u>
Total Net Assets	<u>\$ 21,966,619</u>	<u>\$ 22,066,229</u>

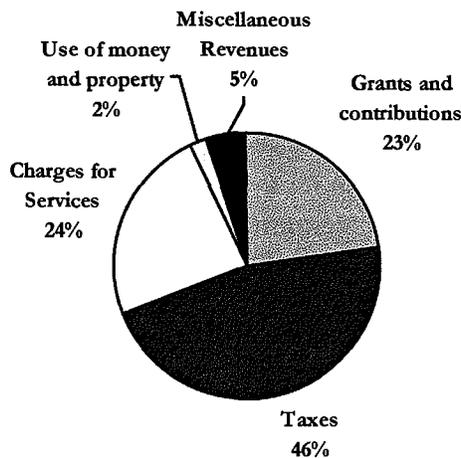
The City's governmental net assets amounted to \$21,966,619 as of June 30, 2010, a decrease of \$99,610 from 2009. This decrease is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2010 comprised the following:

- Cash and investments comprised \$10,306,308 in the city treasury and \$261,527 of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note III to the financial statements.
- Receivables comprised \$378,373 of current receivables and loans receivable for \$4,795,671.
- Capital assets of \$11,029,780, 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 \$1,952,250.
- Accrued compensated absence liabilities payable to employees of \$121,596, as explained in Note III G to the financial statements.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

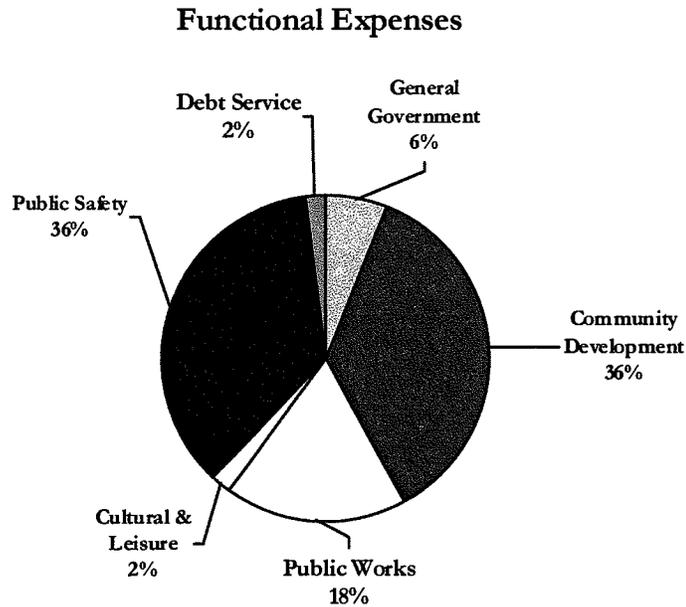
- Long-term debt of \$2,738,241 of which \$2,580,730 is due in future years and \$157,511 is due currently.
- Net assets invested in capital assets, net of related debt, of \$8,291,539, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$10,268,268, 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 \$3,406,812 of unrestricted net assets as of June 30, 2010.

Sources of Revenues



As the Sources of Revenue Chart above shows, \$2,653,995, or 46%, of the City's fiscal year 2010 governmental activities revenue came from taxes, while \$1,298,872, or 23%, came from grants and contributions, \$1,655,904, or 24%, came from charges for services, and the remainder came from a variety of sources, as shown above.

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)**



The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are now added to the City's capital assets. As the Chart shows, general government is \$344,965, or 6%, of total government expenses, community development and planning is \$2,095,837, or 36%, Public Safety is \$2,084,000, or 36%, Public Works is \$1,061,949, or 18%, Culture & Leisure is \$88,436, or 2%, and Debt Service is \$151,606 or 2%.

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.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 2
Change In Governmental Net Assets:

	2010
Expenses	
General Government	\$ 344,965
Public Safety	2,084,000
Public Works	1,061,949
Community Development	2,095,837
Culture And Leisure	88,436
Interest on Long-Term Debt	151,606
Total Expenses	<u>5,826,793</u>
Revenues	
Program Revenues	
Charges For Services	1,655,904
Operating and Capital Grants	<u>1,298,872</u>
Total Program Revenues	2,954,776
General Revenues	
Taxes	2,653,995
Use of Money and Property	92,912
Other	<u>25,500</u>
Total General Revenues	<u>2,772,407</u>
Total Revenues	<u>5,727,183</u>
Change in Governmental Net Assets	<u>\$ (99,610)</u>

As the Sources of Revenue Chart and Table 2 above show, \$2,954,776, or 52%, of the City's fiscal year 2010 governmental revenue, came from program revenues and \$2,772,407, or 48%, came from general revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$1,655,904, which include permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,298,872 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.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 3
 Governmental Activities

	Net (Expense) Revenue From Services 2010
General Government	\$ 1,057,257
Public Safety	(1,853,589)
Public Works	(17,953)
Community Development	(1,817,690)
Culture And Leisure	(88,436)
Interest on Long-Term Debt	(151,606)
Totals	<u>(2,872,017)</u>

Business-type Activities

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

Table 1
 Business Net Assets at June 30, 2010

	2010	2009
Cash and Investments	\$ 7,723,749	\$ 7,506,981
Other Assets	320,608	417,267
Capital Assets	5,450,373	4,845,303
Total Assets	<u>13,494,730</u>	<u>12,769,551</u>
Long-Term Debt Outstanding	2,374,000	2,585,000
Other Liabilities	315,804	274,171
Total Liabilities	<u>2,689,804</u>	<u>2,859,171</u>
Net Assets:		
Invested In Capital Assets, Net of Debt	3,076,373	2,260,303
Restricted	282,359	282,430
Unrestricted	7,446,194	7,367,647
Total Net Assets	<u>\$ 10,804,926</u>	<u>\$ 9,910,380</u>

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The net assets of business-type activities increased \$894,546 in fiscal year 2010.

Table 5
Change In Business-Type Net Assets:

	Net (Expense) Revenue From Services 2010	Net (Expense) Revenue From Services 2009
Water Fund	\$ 692	\$ 27,240
Sewer Fund	856,867	773,555
Totals	<u>\$ 857,559</u>	<u>\$ 800,795</u>

Analyses of Major Funds

Governmental Funds

General Fund

General Fund revenues decreased \$297,609 this fiscal year due primarily to decreases in tax revenue. Actual revenues exceeded budgeted amounts by \$191,077. Property taxes decreased \$97,615 as assessed valuations decreased due to falling real estate values. Charges for services were up \$46,386, due to increases in administrative fees, reimbursed salaries and other miscellaneous revenues.

General Fund expenditures were \$3,608,701, a decrease of \$435,233 from the prior year. Expenditures were \$123,406 less than budgeted, primarily related to cost reductions associated with Public Works and Public Safety.

As of June 30, 2010, the General Fund's unreserved fund balance totaled \$2,978,834. The unreserved portion of fund balance represents available liquid resources.

CDBG Fund

This fund is used to account for grants received to loan out to 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. Current Receivable from Valley Manor Housing is \$975,000.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Public Facility Improvement Fund

This fund accounts for the improvement of public facilities funded by developer fees. In fiscal year 2010, the fund received \$43,128 in developer fees. Developer fee revenue decreased \$107,510 from the prior year due to a decrease in construction projects.

The fund's fiscal year end fund balance of \$4,138,383 represents developer fees that have not yet been expended on public facility projects and improvements.

Storm Drain Fund

The fees accounted for here are to be used for expansion and improvements to the City's storm drain system. The fund currently shows a negative balance due to the Fee Credit Parks liability. As homes are built these fee credits become revenues.

Proprietary Funds

Water Fund

Operating Revenues decreased \$12,114 to a total of \$892,845 in fiscal year 2010 due to a decline in usage. Operating Expenses increased \$97,476 to a total of \$956,694. There was a resulting operating loss of \$63,849. Due to increases in Connection Fee Revenues the fund's net assets increased \$15,527, to a new total of \$2,857,363.

Sewer Fund

Net assets of the Sewer Fund increased \$879,019 in fiscal year 2010 to a total of \$7,947,563. This increase came from an increase in rates charged and increases in connection fees.

As of June 30, 2010, the fund's net assets were \$7,947,563, of which \$1,791,363 was invested in capital assets, net of related debt, \$282,359 is restricted for Debt Service and \$5,873,841 was unrestricted.

CAPITAL ASSETS

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

In fiscal year 2010, 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 2010 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 6 below:

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 6
Capital Assets at Year End

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Governmental Activities		
Land	\$ 3,360,205	\$ 3,360,205
Construction in Progress	1,170,854	636,870
Streets and Roads	3,506,657	3,506,657
Buildings	4,139,829	3,661,285
Equipment	2,599,953	2,483,749
Accumulated Depreciation	<u>(3,747,718)</u>	<u>(3,326,702)</u>
Governmental Activities Capital		
Assets Net	<u>\$ 11,029,780</u>	<u>\$ 10,322,064</u>
Business-Type Activities		
Land	\$ 1,460,000	\$ 1,460,000
Construction in Progress	9,340	77,813
Buildings	107,566	107,566
Plant and Equipment	7,973,961	7,086,422
Accumulated Depreciation	<u>(4,100,494)</u>	<u>(3,886,497)</u>
Business-Type Activities Capital		
Assets Net	<u>\$ 5,450,373</u>	<u>\$ 4,845,304</u>

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

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 E to the financial statements.

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2010. The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note III G to the financial statements. As of June 30, 2010, the City's debt comprised:

**City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Table 7
Outstanding Debt

	June 30, 2010	June 30, 2009
<u>Governmental Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1997 Tax allocation and housing, 5.375%-6.200%, due 8/1/27	\$ 2,620,000	\$ 2,735,000
<u>Other Long Term Obligations:</u>		
Note, 5%, due 9/26/12	118,242	153,970
Total Governmental Activity Debt	<u>\$ 2,738,242</u>	<u>\$ 2,888,970</u>
<u>Business-type Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1991 Sewer treatment facility, 3.60%-5.3%, due 5/1/18	\$ 1,800,000	\$ 1,980,000
<u>Revenue Bonds:</u>		
1982 Water Revenue Bonds, Series B, 5.00%, due in 2022	574,000	605,000
Total Business-type Activity Debt:	<u>\$ 2,374,000</u>	<u>\$ 2,585,000</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF NEWMAN
STATEMENTS OF NET ASSETS
JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

	Primary Government		Totals	
	Governmental Activities	Proprietary Activities	2010	2009
ASSETS				
Cash And Investments	10,305,886	7,441,390	17,747,276	18,870,117
Cash With Fiscal Agent	261,527	282,359	543,886	560,318
Accounts Receivable	378,373	320,608	698,981	731,220
Loans Receivable	4,795,671	0	4,795,671	4,602,786
Prepaid Expenses	7,469	0	7,469	54,195
Capital Assets (Net Of Accumulated Depreciation):				
Land	3,360,205	1,460,000	4,820,205	4,820,205
Construction In Progress	1,170,854	9,340	1,180,194	714,683
Buildings And Improvements	2,679,735	3,790,997	6,470,732	5,411,248
Equipment And Vehicles	985,064	21,036	1,006,100	1,076,860
Infrastructure	2,833,922	169,000	3,002,922	3,144,371
Total Assets	<u>26,778,706</u>	<u>13,494,730</u>	<u>40,273,436</u>	<u>39,986,003</u>
LIABILITIES				
Accounts Payable And Other Current Liabilities	1,952,250	267,035	2,219,285	2,384,293
Compensated Absences	121,596	48,769	170,365	151,132
Long-Term Liabilities:				
Due Within One Year	157,511	211,000	368,511	361,728
Due In More Than One Year	2,580,730	2,163,000	4,743,730	5,112,242
Total Liabilities	<u>4,812,087</u>	<u>2,689,804</u>	<u>7,501,891</u>	<u>8,009,395</u>
NET ASSETS				
Invested In Capital Assets Net Of Related Debt	8,291,539	3,076,373	11,367,912	9,693,397
Restricted For:				
Capital Projects	4,431,622	0	4,431,622	4,697,048
Community Development Projects	4,969,903	0	4,969,903	5,527,148
Debt Service	866,743	282,359	1,149,102	1,182,169
Unrestricted	3,406,812	7,446,194	10,853,006	10,876,846
Total Net Assets	<u>21,966,619</u>	<u>10,804,926</u>	<u>32,771,545</u>	<u>31,976,608</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEWMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	344,965
Public Safety	2,084,000
Public Works	1,061,949
Community Development	2,095,837
Culture And Leisure	88,436
Interest on Long-Term Debt	151,606
Total Governmental Activities	<u>5,826,793</u>
Business-Type Activities	
Water Services	986,169
Sewer Services	<u>1,458,230</u>
Total Business-Type Activities	<u>2,444,399</u>
Total Primary Government	<u><u>8,271,192</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets			
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total	
			Governmental Activities	Proprietary Activities	2010	2009
1,395,595	6,627	0	1,057,257	0	1,057,257	719,361
85,523	133,637	11,251	(1,853,589)	0	(1,853,589)	(1,980,667)
145,094	0	898,902	(17,953)	0	(17,953)	316,220
29,692	5,000	243,455	(1,817,690)	0	(1,817,690)	(1,673,590)
0	0	0	(88,436)	0	(88,436)	(150,719)
0	0	0	(151,606)	0	(151,606)	(159,181)
<u>1,655,904</u>	<u>145,264</u>	<u>1,153,608</u>	<u>(2,872,017)</u>	<u>0</u>	<u>(2,872,017)</u>	<u>(2,928,576)</u>
986,861	0	0	0	692	692	27,240
<u>2,315,097</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>856,867</u>	<u>856,867</u>	<u>773,555</u>
<u>3,301,958</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>857,559</u>	<u>857,559</u>	<u>800,795</u>
<u>4,957,862</u>	<u>145,264</u>	<u>1,153,608</u>	<u>(2,872,017)</u>	<u>857,559</u>	<u>(2,014,458)</u>	<u>(2,127,781)</u>
General Revenues:						
Taxes:						
Property Tax			1,219,152	0	1,219,152	1,547,512
Sales Tax			310,958	0	310,958	436,866
Motor Vehicle Tax			629,537	0	629,537	762,863
Franchise Tax			109,714	0	109,714	124,136
Other Taxes			384,634	0	384,634	420,524
Investment Earnings			92,912	62,487	155,399	391,986
Transfers			25,500	(25,500)	(0)	0
Total General Revenues And Transfers			<u>2,772,407</u>	<u>36,987</u>	<u>2,809,394</u>	<u>3,683,887</u>
Change In Net Assets			(99,610)	894,546	794,936	1,556,106
Net Assets - Beginning			<u>22,066,229</u>	<u>9,910,380</u>	<u>31,976,609</u>	<u>30,420,503</u>
Net Assets - Ending			<u>21,966,619</u>	<u>10,804,926</u>	<u>32,771,545</u>	<u>31,976,609</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

	<u>General</u>	<u>CDBG</u>	<u>Public Facility Improvement Fund</u>
Assets			
Cash And Investments	3,579,127	663,913	4,138,383
Cash with Fiscal Agent	0	0	0
Accounts Receivable	205,219	10,495	0
Loans Receivable	0	4,095,281	0
Prepaid Expenses	7,469	0	0
Total Assets	<u>3,791,815</u>	<u>4,769,689</u>	<u>4,138,383</u>
Liabilities			
Accounts Payable	182,991	1,716	0
Compensated Absences	0	0	0
Other Liabilities	629,990	0	0
Total Liabilities	<u>812,981</u>	<u>1,716</u>	<u>0</u>
Fund Balances			
Reserved	0	0	0
Unreserved	2,978,834	4,767,973	4,138,383
Total Fund Balances	<u>2,978,834</u>	<u>4,767,973</u>	<u>4,138,383</u>
Total Liabilities And Fund Balances	<u>3,791,815</u>	<u>4,769,689</u>	<u>4,138,383</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Capital Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2010	2009
3,239	158,038	1,763,186	10,305,886	11,645,566
261,527	0	0	261,527	277,888
0	0	162,659	378,373	313,953
557,790	0	142,600	4,795,671	4,602,786
0	0	0	7,469	54,195
<u>822,556</u>	<u>158,038</u>	<u>2,068,445</u>	<u>15,748,926</u>	<u>16,894,388</u>
73,144	0	181,433	439,284	653,519
9,639	0	390	10,029	6,450
0	770,563	112,413	1,512,966	1,504,028
<u>82,783</u>	<u>770,563</u>	<u>294,236</u>	<u>1,962,279</u>	<u>2,163,997</u>
0	0	0	0	0
739,773	(612,525)	1,774,209	13,786,647	14,730,391
739,773	(612,525)	1,774,209	13,786,647	14,730,391
<u>822,556</u>	<u>158,038</u>	<u>2,068,445</u>	<u>15,748,926</u>	<u>16,894,388</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, 2010**

Total fund balances - governmental funds 13,786,647

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

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

Land	3,360,205	
Construction In Progress	1,170,854	
Infrastruture net of \$672,735 accumulated depreciation	2,833,922	
Buildings and Improvements, net of \$1,460,094 accumulated depreciation	2,679,735	
Equipment and Vehicles, net of \$1,614,889 accumulated depreciation	<u>985,064</u>	
Total capital assets		11,029,780

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

Notes payable	(2,738,241)	
Compensated absences	(<u>111,567</u>)	
Total long-term liabilities		(<u>2,849,808</u>)

Total net assets - governmental activities 21,966,619

CITY OF NEWMAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

	<u>General</u>	<u>CDBG</u>	<u>Public Facility Improvement Fund</u>
Revenues			
Property Tax	567,554	0	0
Sales Tax	310,958	0	0
Other Tax And Franchises	764,221	0	0
Licenses And Permits	137,843	0	0
Fines And Forfeitures	105,444	0	0
Investment Earnings	31,391	1,995	35,144
Intergovernmental	33,538	243,455	0
Impact Fees	0	0	43,128
Service Charges And Miscellaneous	1,320,776	1,121	0
Total Revenues	<u>3,271,725</u>	<u>246,571</u>	<u>78,272</u>
Expenditures			
Current			
General Government	284,323	0	0
Public Safety	1,964,135	0	0
Public Works	409,944	0	21,336
Community Development	872,429	11,028	0
Culture And Leisure	77,870	0	0
Debt Service			
Principal	0	0	12,504
Interest & Other Charges	0	0	2,689
Capital Outlay	0	0	0
Total Expenditures	<u>3,608,701</u>	<u>11,028</u>	<u>36,529</u>
Excess (Deficiency) Of Revenues			
Over Expenditures	(336,976)	235,543	41,743
Other Financing Sources (Uses)			
Operating Transfers In	345,299	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>345,299</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	8,323	235,543	41,743
Fund Balance - Beginning	<u>2,970,511</u>	<u>4,532,430</u>	<u>4,096,640</u>
Fund Balance- Ending	<u>2,978,834</u>	<u>4,767,973</u>	<u>4,138,383</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2010	2009
651,598	0	0	1,219,152	1,547,512
0	0	0	310,958	436,866
0	0	359,664	1,123,885	1,307,523
0	0	9,964	147,807	99,355
0	0	0	105,444	40,448
5,820	1,342	17,220	92,912	256,420
0	0	1,021,879	1,298,872	1,046,758
0	1,488	6,305	50,921	195,962
25,071	317	4,446	1,351,731	1,276,188
<u>682,489</u>	<u>3,147</u>	<u>1,419,478</u>	<u>5,701,682</u>	<u>6,207,032</u>
0	0	18,484	302,807	531,821
0	0	3,687	1,967,822	2,081,985
0	0	429,260	860,540	660,365
902,947	0	244,418	2,030,822	1,627,913
0	0	0	77,870	140,842
115,000	0	23,224	150,728	159,030
143,923	0	4,994	151,606	159,181
<u>57,669</u>	<u>0</u>	<u>1,071,062</u>	<u>1,128,731</u>	<u>867,031</u>
<u>1,219,539</u>	<u>0</u>	<u>1,795,129</u>	<u>6,670,926</u>	<u>6,228,168</u>
(537,050)	3,147	(375,651)	(969,244)	(21,136)
25,500	0	475,328	846,127	770,347
(268,328)	0	(552,299)	(820,627)	(584,732)
(242,828)	0	(76,971)	25,500	185,615
(779,878)	3,147	(452,622)	(943,744)	164,479
<u>1,519,651</u>	<u>(615,672)</u>	<u>2,226,831</u>	<u>14,730,391</u>	<u>14,565,912</u>
<u>739,773</u>	<u>(612,525)</u>	<u>1,774,209</u>	<u>13,786,647</u>	<u>14,730,391</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS :

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**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, 2010**

Net change in fund balances - total governmental funds (943,744)

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 (\$1,128,731) exceeded depreciation (\$421,016) in the current period. 707,715

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. 150,728

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. (14,309)

Changes in net assets of governmental activities (99,610)

**CITY OF NEWMAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	2010		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Property Tax	502,724	502,724	567,554	64,830	665,169
Sales Tax	450,000	300,000	310,958	10,958	436,866
Other Tax And Franchise Fees	793,000	793,000	764,221	(28,779)	923,569
Licenses And Permits	87,350	87,350	137,843	50,493	89,176
Intergovernmental	43,000	43,000	33,538	(9,462)	36,922
Fines And Forfeitures	52,500	52,500	105,444	52,944	40,448
Investment Earnings	100,000	50,000	31,391	(18,609)	102,793
Service Charges And Miscellaneous	1,252,074	1,252,074	1,320,776	68,702	1,274,391
Total Revenues	<u>3,280,648</u>	<u>3,080,648</u>	<u>3,271,725</u>	<u>191,077</u>	<u>3,569,334</u>
EXPENDITURES					
General Government	296,773	305,262	284,323	(20,939)	461,172
Public Safety	1,927,589	2,004,472	1,964,135	(40,337)	2,046,896
Public Works	501,701	507,179	409,944	(97,235)	545,676
Community Development	810,777	812,568	872,429	59,861	849,348
Recreation And Leisure	101,984	102,626	77,870	(24,756)	140,842
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>3,638,824</u>	<u>3,732,107</u>	<u>3,608,701</u>	<u>(123,406)</u>	<u>4,043,934</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(358,176)</u>	<u>(651,459)</u>	<u>(336,976)</u>	<u>314,483</u>	<u>(474,600)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	277,596	340,088	345,299	5,211	361,385
Transfers Out	0	0	0	0	(25,000)
Total Other Financing Sources And (Uses)	<u>277,596</u>	<u>340,088</u>	<u>345,299</u>	<u>5,211</u>	<u>336,385</u>
Net Change In Fund Balance	<u>(80,580)</u>	<u>(311,371)</u>	<u>8,323</u>	<u>319,694</u>	<u>(138,215)</u>
Fund Balance - Beginning	<u>2,970,511</u>	<u>2,970,511</u>	<u>2,970,511</u>	<u>0</u>	<u>3,108,726</u>
Fund Balance - Ending	<u>2,889,931</u>	<u>2,659,140</u>	<u>2,978,834</u>	<u>319,694</u>	<u>2,970,511</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	2010			Variance With Final Budget Over (Under)	2009 Actual
	Budgeted Amounts		Actual		
	Original	Final			
General Government					
City Council	34,503	34,503	24,616	(9,887)	35,864
City Manager	102,545	109,276	118,928	9,652	259,766
City Clerk	36,386	36,741	31,458	(5,283)	42,183
Finance And Treasurer	123,339	124,742	109,321	(15,421)	123,359
Total General Government	<u>296,773</u>	<u>305,262</u>	<u>284,323</u>	<u>(20,939)</u>	<u>461,172</u>
Public Safety					
Police	1,807,568	1,884,451	1,881,267	(3,184)	1,953,579
Fire	120,021	120,021	82,868	(37,153)	93,317
Total Public Safety	<u>1,927,589</u>	<u>2,004,472</u>	<u>1,964,135</u>	<u>(40,337)</u>	<u>2,046,896</u>
Public Works					
Government Buildings	58,905	59,298	49,964	(9,334)	45,843
Government Auxiliary	81,905	81,906	80,139	(1,767)	79,124
Street Maintenance	218,175	219,690	159,037	(60,653)	262,779
Parks	142,716	146,285	120,804	(25,481)	157,930
Total Public Works	<u>501,701</u>	<u>507,179</u>	<u>409,944</u>	<u>(97,235)</u>	<u>545,676</u>
Community Development					
Planning	106,009	107,049	105,384	(1,665)	114,383
Building Regulation	87,268	87,969	118,538	30,569	103,099
Refuse Disposal	588,000	588,000	609,946	21,946	587,618
Corporation Yard	9,500	9,550	9,487	(63)	4,147
Engineering	20,000	20,000	29,074	9,074	40,101
Total Community Development	<u>810,777</u>	<u>812,568</u>	<u>872,429</u>	<u>59,861</u>	<u>849,348</u>
Recreation And Leisure					
Recreation	101,984	102,626	77,870	(24,756)	140,842
Total Culture And Leisure	<u>101,984</u>	<u>102,626</u>	<u>77,870</u>	<u>(24,756)</u>	<u>140,842</u>
Total General Fund	<u>3,638,824</u>	<u>3,732,107</u>	<u>3,608,701</u>	<u>(123,406)</u>	<u>4,043,934</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

	2010		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Interest Income	2,000	2,000	1,995	(5)	11,651
Program Income	25,000	25,000	1,121	(23,879)	0
Intergovernmental	0	0	243,455	243,455	0
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>246,571</u>	<u>219,571</u>	<u>11,651</u>
EXPENDITURES					
Supplies And Services	13,000	13,000	11,028	(1,972)	12,976
Total Expenditures	<u>13,000</u>	<u>13,000</u>	<u>11,028</u>	<u>(1,972)</u>	<u>12,976</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>14,000</u>	<u>14,000</u>	<u>235,543</u>	<u>221,543</u>	<u>(1,325)</u>
OTHER FINANCING SOURCES (USES)					
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	14,000	14,000	235,543	221,543	(1,325)
Fund Balance - Beginning	<u>4,532,430</u>	<u>4,532,430</u>	<u>4,532,430</u>	<u>0</u>	<u>4,533,755</u>
Fund Balance - Ending	<u>4,546,430</u>	<u>4,546,430</u>	<u>4,767,973</u>	<u>221,543</u>	<u>4,532,430</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	2010				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Original	Final			
REVENUES					
Interest Income	48,000	28,000	35,144	7,144	75,528
Impact Fees	121,181	121,181	43,128	(78,053)	150,638
Total Revenues	<u>169,181</u>	<u>149,181</u>	<u>78,272</u>	<u>(70,909)</u>	<u>226,166</u>
EXPENDITURES					
Supplies And Services	54,000	54,000	21,336	(32,664)	42,831
Capital Outlay	0	0	0	0	14,268
Debt Service					
Principal	12,050	12,505	12,504	(1)	11,910
Interest & Other Charges	2,689	2,689	2,689	0	3,283
Total Expenditures	<u>68,739</u>	<u>69,194</u>	<u>36,529</u>	<u>(32,665)</u>	<u>72,292</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>100,442</u>	<u>79,987</u>	<u>41,743</u>	<u>(38,244)</u>	<u>153,874</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	100,442	79,987	41,743	(38,244)	153,874
Fund Balance - Beginning	<u>4,096,640</u>	<u>4,096,640</u>	<u>4,096,640</u>	<u>0</u>	<u>3,942,766</u>
Fund Balance - Ending	<u>4,197,082</u>	<u>4,176,627</u>	<u>4,138,383</u>	<u>(38,244)</u>	<u>4,096,640</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	2010		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Property Taxes	860,948	859,958	651,598	(208,360)	882,343
Interest Income	14,640	6,190	5,820	(370)	22,037
Intergovernmental	0	0	0	0	0
Miscellaneous Revenues	24,744	424,744	25,071	(399,673)	0
Total Revenues	<u>900,332</u>	<u>1,290,892</u>	<u>682,489</u>	<u>(608,403)</u>	<u>904,380</u>
EXPENDITURES					
Salaries And Benefits	132,977	118,446	147,608	29,162	113,892
Supplies And Services	396,797	298,280	755,339	457,059	466,913
Capital Outlay	5,000	5,000	57,669	52,669	30,180
Debt Service					
Principal	115,000	115,000	115,000	0	125,000
Interest & Other Charges	143,923	143,923	143,923	0	149,800
Total Expenditures	<u>793,697</u>	<u>680,649</u>	<u>1,219,539</u>	<u>538,890</u>	<u>885,785</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>106,635</u>	<u>610,243</u>	<u>(537,050)</u>	<u>(1,147,293)</u>	<u>18,595</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	25,500	25,500	25,500	0	0
Transfers Out	(523,417)	(523,517)	(268,328)	255,189	(178,347)
Total Other Financing Sources And (Uses)	<u>(497,917)</u>	<u>(498,017)</u>	<u>(242,828)</u>	<u>255,189</u>	<u>(178,347)</u>
Net Change In Fund Balance	(391,282)	112,226	(779,878)	(892,104)	(159,752)
Fund Balance - Beginning	<u>1,519,651</u>	<u>1,519,651</u>	<u>1,519,651</u>	<u>0</u>	<u>1,679,403</u>
Fund Balance - Ending	<u>1,128,369</u>	<u>1,631,877</u>	<u>739,773</u>	<u>(892,104)</u>	<u>1,519,651</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, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	2010		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Interest Income	2,000	1,200	1,342	142	2,819
Impact Fees	0	0	1,488	1,488	10,314
Service Charges And Miscellaneous	0	0	317	317	53
Total Revenues	2,000	1,200	3,147	1,947	13,186
EXPENDITURES					
Supplies And Services	25,000	25,000	0	(25,000)	0
Capital Outlay	0	0	0	0	0
Total Expenditures	25,000	25,000	0	(25,000)	0
Excess (Deficiency) Of Revenues Over Expenditures	(23,000)	(23,800)	3,147	26,947	13,186
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	0	0	0	0	0
Net Change In Fund Balance	(23,000)	(23,800)	3,147	26,947	13,186
Fund Balance - Beginning	(615,672)	(615,672)	(615,672)	0	(628,858)
Fund Balance - Ending	(638,672)	(639,472)	(612,525)	26,947	(615,672)

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS**

JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009

Business-Type Activities-Enterprise Funds

	Sewer Fund	Water Fund	Totals	
			2010	2009
Assets				
Cash And Investments	5,708,882	1,732,508	7,441,390	7,224,551
Cash With Fiscal Agent	282,359	0	282,359	282,430
Accounts Receivable	225,649	94,959	320,608	417,267
Fixed Assets	6,778,063	2,763,464	9,541,527	8,653,987
Accumulated Depreciation	(3,196,040)	(904,454)	(4,100,494)	(3,886,497)
Work In Progress	9,340	0	9,340	77,813
Total Assets	9,808,253	3,686,477	13,494,730	12,769,551
Liabilities				
Accounts Payable	32,123	41,641	73,764	61,847
Customer Deposits	0	92,281	92,281	63,909
Compensated Absences	28,567	20,202	48,769	47,425
Other Liabilities	0	100,990	100,990	100,990
Loan Payable	1,800,000	0	1,800,000	1,980,000
Bond Payable	0	574,000	574,000	605,000
Total Liabilities	1,860,690	829,114	2,689,804	2,859,171
Net Assets				
Invested In Capital Assets, Net Of Related Debt	1,791,363	1,285,010	3,076,373	2,260,303
Restricted For Debt Service	282,359	0	282,359	282,430
Unrestricted	5,873,841	1,572,353	7,446,194	7,367,647
Total Net Assets	7,947,563	2,857,363	10,804,926	9,910,380

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2010	2009
Operating Revenues				
Service Charges	2,012,545	864,824	2,877,369	2,700,575
Miscellaneous Revenues	73,604	28,021	101,625	131,203
Total Operating Revenues	<u>2,086,149</u>	<u>892,845</u>	<u>2,978,994</u>	<u>2,831,778</u>
Operating Expenses				
Employee Services	432,881	365,987	798,868	859,956
Supplies And Services	785,822	516,184	1,302,006	992,402
Depreciation	139,474	74,523	213,997	200,647
Total Operating Expenses	<u>1,358,177</u>	<u>956,694</u>	<u>2,314,871</u>	<u>2,053,005</u>
Operating Income (Loss)	<u>727,972</u>	<u>(63,849)</u>	<u>664,123</u>	<u>778,773</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	47,652	14,835	62,487	135,566
Connection Fees	123,305	92,731	216,036	19,125
Development Fees	105,643	1,285	106,928	141,745
Development Contribution	0	0	0	0
Interest Expense	<u>(100,053)</u>	<u>(29,475)</u>	<u>(129,528)</u>	<u>(138,848)</u>
Total Nonoperating Revenues (Expenses)	<u>176,547</u>	<u>79,376</u>	<u>255,923</u>	<u>157,588</u>
Income Before Transfers	<u>904,519</u>	<u>15,527</u>	<u>920,046</u>	<u>936,361</u>
Operating Transfer In	190,000	0	190,000	0
Operating Transfer Out	<u>(215,500)</u>	<u>0</u>	<u>(215,500)</u>	<u>(185,615)</u>
Total Other Financing Sources (Uses)	<u>(25,500)</u>	<u>0</u>	<u>(25,500)</u>	<u>(185,615)</u>
Change In Net Assets	879,019	15,527	894,546	750,746
Total Net Assets - Beginning	<u>7,068,544</u>	<u>2,841,836</u>	<u>9,910,380</u>	<u>9,159,634</u>
Total Net Assets - Ending	<u><u>7,947,563</u></u>	<u><u>2,857,363</u></u>	<u><u>10,804,926</u></u>	<u><u>9,910,380</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers And Users	2,186,757	917,268	3,104,025	2,764,803
Payments To Suppliers	(785,604)	(504,484)	(1,290,087)	(1,014,263)
Payments To Employees	(430,337)	(367,188)	(797,525)	(862,927)
Net Cash Provided By Operating Activities	<u>970,816</u>	<u>45,596</u>	<u>1,016,412</u>	<u>887,612</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer Ins	190,000	0	190,000	0
Transfer Out	(215,500)	0	(215,500)	(185,615)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(25,500)</u>	<u>0</u>	<u>(25,500)</u>	<u>(185,615)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection Fees	123,305	92,730	216,035	19,125
Development Fees	105,643	1,285	106,928	141,745
Purchase Of Capital Assets	(809,066)	(10,000)	(819,066)	(118,977)
Principal Paid On Capital Debt	(180,000)	(31,000)	(211,000)	(198,999)
Interest Paid On Capital Debt	(100,053)	(29,475)	(129,528)	(138,848)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(860,171)</u>	<u>23,540</u>	<u>(836,631)</u>	<u>(295,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	47,652	14,835	62,487	135,566
Net Cash Provided By Investing Activities	<u>47,652</u>	<u>14,835</u>	<u>62,487</u>	<u>135,566</u>
Net Increase In Cash And Cash Equivalents	132,797	83,971	216,768	541,609
Cash And Equivalents, July 1	<u>5,858,444</u>	<u>1,648,537</u>	<u>7,506,981</u>	<u>6,965,372</u>
Cash And Equivalents, June 30	<u>5,991,241</u>	<u>1,732,508</u>	<u>7,723,749</u>	<u>7,506,981</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2010	2009
Operating Income	727,972	(63,849)	664,123	(225,048)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	139,474	74,523	213,997	196,878
(Increase) Decrease In Accounts Receivable	100,608	(3,949)	96,659	(65,263)
Increase (Decrease) In Accounts Payable	218	11,699	11,917	(48,073)
Compensated Absences	2,544	(1,200)	1,344	8,462
Customer Deposits	0	28,372	28,372	8,001
Net Cash Provided (Used) By Operating Activities	970,816	45,596	1,016,412	(125,043)

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Financial Reporting Entity

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

City of Newman

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

City of Newman (continued)

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

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

Blended Component Unit. The Redevelopment Agency serves all the citizens of the City of Newman. The Redevelopment Agency is reported as a capital project fund. Complete financial statements of the Redevelopment Agency may be obtained at the offices of the City of Newman.

B. Government-wide and fund financial statements

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

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

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

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

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

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

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

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

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

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

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

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

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

The city reports the following major proprietary funds.

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

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

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

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

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

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

D. Assets, Liabilities, Net Assets or Equity

1. Cash and Investments

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

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

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

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. Cash and Investments (continued)

- 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.

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 January 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 January 1st, and on the date of transfer of title, and the date of new construction.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

3. Property Taxes (continued)

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

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

6. Capital Assets (continued)

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

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

7. Compensated Absences

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

8. Long-Term Obligations

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

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

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

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

9. Net Assets and Fund Equity

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

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

10. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

B. Deficit Fund Equity

For the year ended June 30, 2010, the following fund has a deficit fund balance:

Storm Drain Fund	\$612,525
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Storm Drain Fund will be reimbursed by future assessments and fees collected from developers within the development district.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

III. DETAILED NOTES ON ALL FUNDS

A. Cash And Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	17,747,276
Cash and investments held by bond trustee	<u>543,886</u>
Total cash and investments	<u>18,291,162</u>

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

Cash on hand	1,000
Deposits with financial institutions	3,898,220
Investments in LAIF	<u>14,391,942</u>
Total cash and investments	<u>18,291,162</u>

Investments Authorized by the City's Investment Policy

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

Disclosures Relating to Interest Rate Risk

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

		<u>Maturity Date</u>
State investment pool	<u>14,391,942</u>	7.1 months average maturity
Total	<u>14,391,942</u>	

Disclosures Relating to Credit Risk

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Concentration of Credit Risk

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

Custodial Credit Risk

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

\$1,301,191 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

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

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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, 2010 is \$543,886 and consists of \$282,359 in the Sewer Fund and \$261,527 in the Redevelopment Agency Fund.

Deferred Compensation Plan

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

B. Accounts Receivable

Receivables at June 30, 2010 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.

	General	CDBG	Non-Major Govern- mental	Total
Governmental Activities:				
Utility Billing	83,039	0	0	83,039
Intergovernmental	85,932	10,455	162,699	259,086
Other	36,248	0	0	36,248
Total	<u>205,219</u>	<u>10,455</u>	<u>162,699</u>	<u>378,373</u>

	Water	Sewer	Total
Business-Type Activities:			
Utility Billing	89,338	150,557	239,895
Other	5,621	75,092	80,713
Total	<u>94,959</u>	<u>225,649</u>	<u>320,608</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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, 2010 is \$4,095,281. Additional Loans Receivable of the Redevelopment Agency are as follows:

The Agency had the following loans receivables as of June 30, 2010:

Westside Village	377,790
Jose Reynose	<u>180,000</u>
Total	<u>557,790</u>

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, 2010 was \$377,790.

A 10 year loan was issued to Jose Reynose for \$200,000 on June 24, 2009. The interest varies between 0% for two years, 3% for three years and 5.00% for the remainder of the loan. The loan receivable balance as of June 30, 2010 was \$180,000.

D. Evaluation of Subsequent Events

The City has evaluated subsequent events through November 4, 2010, the date which the financial statements were available to be issued.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

E. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental-type Activities				
Capital assets not being depreciated:				
Land	3,360,205	0	0	3,360,205
Construction In Progress	<u>636,870</u>	<u>1,012,528</u>	<u>(478,544)</u>	<u>1,170,854</u>
Total capital assets not being depreciated	<u>3,997,075</u>	<u>1,012,528</u>	<u>(478,544)</u>	<u>4,531,059</u>
Capital assets being depreciated:				
Infrastructure	3,506,657	0	0	3,506,657
Equipment And Vehicles	2,483,749	116,204	0	2,599,953
Building And Improvements	<u>3,661,285</u>	<u>478,544</u>	<u>0</u>	<u>4,139,829</u>
Total capital assets being depreciated	<u>9,651,691</u>	<u>594,748</u>	<u>0</u>	<u>10,246,439</u>
Less accumulated depreciation for:				
Infrastructure	(549,014)	(123,721)	0	(672,735)
Equipment And Vehicles	(1,433,107)	(181,782)	0	(1,614,889)
Building And Improvements	<u>(1,344,581)</u>	<u>(115,513)</u>	<u>0</u>	<u>(1,460,094)</u>
Total accumulated depreciation	<u>(3,326,702)</u>	<u>(421,016)</u>	<u>0</u>	<u>(3,747,718)</u>
Net capital assets being depreciated	<u>6,324,989</u>	<u>173,732</u>	<u>0</u>	<u>6,498,721</u>
Total net capital assets - Governmental-type activities	<u>10,322,064</u>	<u>1,186,260</u>	<u>(478,544)</u>	<u>11,029,780</u>

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

Government Activities:

General Government	27,848
Public Safety	116,178
Public Works	201,409
Community Development	65,015
Culture And Leisure	<u>10,566</u>
Total Depreciation Expense – Government Activities	<u>421,016</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

E. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	1,460,000	0	0	1,460,000
Construction In Progress	<u>77,813</u>	<u>799,066</u>	<u>(867,539)</u>	<u>9,340</u>
Total capital assets not being depreciated	<u>1,537,813</u>	<u>799,066</u>	<u>(867,539)</u>	<u>1,469,340</u>
Capital assets being depreciated:				
Infrastructure	6,239,417	867,539	0	7,106,956
Equipment And Vehicles	847,005	20,000	0	867,005
Building And Improvements	<u>107,566</u>	<u>0</u>	<u>0</u>	<u>107,566</u>
Total capital assets being depreciated	<u>7,193,988</u>	<u>887,539</u>	<u>0</u>	<u>8,081,527</u>
Less accumulated depreciation for:				
Infrastructure	(3,147,394)	(171,086)	0	(3,318,480)
Equipment And Vehicles	(660,448)	(37,729)	0	(698,177)
Building And Improvements	<u>(78,655)</u>	<u>(5,182)</u>	<u>0</u>	<u>(83,837)</u>
Total accumulated depreciation	<u>(3,886,497)</u>	<u>(213,997)</u>	<u>0</u>	<u>(4,100,494)</u>
Net capital assets being depreciated	<u>3,307,491</u>	<u>673,542</u>	<u>0</u>	<u>3,981,033</u>
Total net capital assets - Business-type activities	<u>4,845,304</u>	<u>1,472,608</u>	<u>(867,539)</u>	<u>5,450,373</u>

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

Business- Type Activities:

Water	74,523
Sewer	<u>139,474</u>
Total Depreciation Expense – Business-Type Activities	<u>213,997</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

F. Transfers

Interfund transfers for the year ended June 30, 2010 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	345,299	0
Federal Grants	268,328	0
State Grants	207,000	0
Gas Tax	0	178,685
COPS Grant	0	100,000
Federal Grants	0	63,792
K-9	0	2,822
Park Fac	0	182,000
Local Transportation	0	25,000
Redevelopment	25,500	268,328
Sewer	190,000	215,500
Total	<u>1,036,127</u>	<u>1,036,127</u>

G. Long-Term Debt

Long-term debt consists of the following:

Governmental-Type Activities:

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 \$118,242 as of June 30, 2010.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	37,511	5,900	43,411
2012	39,383	4,028	43,411
2013	41,348	2,063	43,411
Total	<u>118,242</u>	<u>11,991</u>	<u>130,233</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

G. Long-Term Debt (continued)

Certificates of Participation

In the year ended June 30, 1997 the City issued tax allocation project and housing bonds. The bonds payable were \$2,620,000 as of June 30, 2010.

Year Ending June 30	Principal	Interest	Total
2011	120,000	138,046	258,046
2012	125,000	131,798	256,798
2013	125,000	125,298	250,298
2014	130,000	118,571	248,571
2015	135,000	111,515	246,515
2016-2020	700,000	441,471	1,141,471
2021-2025	760,000	245,369	1,005,369
2026-2028	525,000	48,375	573,375
Total	2,620,000	1,360,443	3,980,443

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, 2010 is \$574,000.

Year Ending June 30	Principal	Interest	Total
2011	32,000	27,900	59,900
2012	34,000	26,250	60,250
2013	36,000	24,500	60,500
2014	38,000	22,650	60,650
2015	39,000	20,725	59,725
2016-2020	228,000	71,375	299,375
2021-2023	167,000	10,260	177,260
Total	574,000	203,660	777,660

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

G. Long-Term Debt (continued)

Certificates of Participation

The City issued certifications of participation in May 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, 2010 were \$1,800,000.

Year Ending June 30	Principal	Interest	Total
2011	190,000	91,592	281,592
2012	195,000	82,330	277,330
2013	205,000	72,580	277,580
2014	220,000	62,330	282,330
2015	230,000	51,330	281,330
2016-2017	<u>760,000</u>	<u>80,813</u>	<u>840,813</u>
Total	<u>1,800,000</u>	<u>440,975</u>	<u>2,240,975</u>

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2010:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Loans Payable	153,969	0	(35,728)	118,241	37,511
Certificate of Participation	2,735,000	0	(115,000)	2,620,000	120,000
Compensated Absences	<u>103,707</u>	<u>17,665</u>	<u>0</u>	<u>121,372</u>	<u>0</u>
Long-term liabilities of Governmental Activities	<u>2,992,676</u>	<u>17,665</u>	<u>(150,728)</u>	<u>2,859,613</u>	<u>157,511</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

G. Long-Term Debt (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds	605,000	0	(31,000)	574,000	3,200
Certificate of Participation	1,980,000	0	(180,000)	1,800,000	190,000
Compensated Absences	<u>47,425</u>	<u>1,294</u>	<u>0</u>	<u>48,719</u>	<u>0</u>
Long-term liabilities of Business-Type Activities	<u>2,632,425</u>	<u>1,294</u>	<u>(211,000)</u>	<u>2,422,719</u>	<u>193,200</u>

H. Payables And Other Liabilities

Payables at June 30, 2010 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General</u>	<u>Storm Drain</u>	<u>Public Facility Inprov</u>	<u>CDBG</u>	<u>Redevelop- ment Agency</u>	<u>Non- major Govern- mental</u>	<u>Total</u>
Governmental Activities:							
Vendors Developer	182,991	0	0	1,716	73,144	181,433	439,284
Deposits	<u>629,990</u>	<u>770,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>112,413</u>	<u>1,512,966</u>
Total	<u>812,981</u>	<u>770,563</u>	<u>0</u>	<u>1,716</u>	<u>73,144</u>	<u>293,846</u>	<u>1,952,250</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

H. Payables And Other Liabilities (continued)

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Vendors	41,641	32,123	73,764
Customer Deposits	92,281	0	92,281
Developer Deposits	100,990	0	100,990
Total	<u>234,912</u>	<u>32,123</u>	<u>267,035</u>

I. Proposition 1A Borrowing by State of California

Under the provision of Proposition 1A and part of the 2009-2010 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax and supplemental property tax apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Newman was \$116,772.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of property tax reduction. All transaction cost of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

J. Stanislaus County Supplemental Education Revenue Augmentation Fund (SERAF)

On February 9, 2010 the Agency Board of Directors authorizing a loan of \$402,877 (the LMIHF Loan) from the Housing Fund to the Redevelopment Fund at 0% interest. The purpose for this loan was to comply with State Legislation ABX4-26 which among other things required the Redevelopment Agency to make payments to the Stanislaus County Supplemental Education Revenue Augmentation Fund (SERAF). Statute allows for the Agency to borrow funds from its Low and Moderate Income Housing Fund if there are insufficient other monies to make the required payment.

According to SB68 the Redevelopment Fund until 2015 to repay the May 2010 payment (\$402,877) and until 2016 to repay the payment that will be made in May 2011 (estimated to be \$83,000). The Redevelopment Agency does not have a repayment schedule but plans to repay it before the 5 year deadline to avoid incurring any interest charges.

IV. OTHER INFORMATION

A. Risk Management

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

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

A. Risk Management (continued)

The financial position and results of operations for the CSJVRMA, as of June 30, 2009, are presented below:

Total Assets	<u>63,349,322</u>
Total Liabilities	54,045,869
Total Net Assets	<u>9,303,453</u>
Total Liabilities & Retained Earnings	<u>63,349,322</u>
Total Revenues for Year	28,146,623
Total Expenses for Year	<u>28,543,025</u>
Net Income for Year	<u>(396,402)</u>

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

B. Commitments and Contingencies

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

C. Employee Retirement Systems and Plans

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

Participants are required to contribute 8% (9% for public-safety employees) of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by PERS. The City is required to contribute at an actuarially determined rate.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

C. Employee Retirement Systems and Plans (continued)

The current rate is 17.672% for non-safety employees, 30.367% of police employees, of annual covered payroll.

For June 30, 2010, the City's annual pension cost was \$400,072 due to excess PERS funds determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was five years for prior service unfunded, and 15 years for remaining unfunded.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/08	\$337,693	100%	0
06/30/09	\$376,800	100%	0
06/30/10	\$400,072	100%	0

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Program Income Miscellaneous- To account for miscellaneous income.

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

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

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

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

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

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

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

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

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

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

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

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

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COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund	Safety Grants Fund	Abandoned Vehicle Program
Assets					
Cash And Investments	1,585	190,536	32,200	185,112	11,289
Cash with Fiscal Agent	0	0	0	0	0
Accounts Receivable	0	0	0	0	0
Loans Receivable	0	0	0	0	0
Due From Other Funds	0	0	0	0	0
Total Assets	1,585	190,536	32,200	185,112	11,289
Liabilities And Fund Balances					
Liabilities					
Accounts Payable	0	0	113,105	12,943	0
Compensated Absences	0	0	0	0	47
Other Liabilities	0	110,546	0	0	0
Due To Other Funds	0	0	0	0	0
Total Liabilities	0	110,546	113,105	12,943	47
Fund Balances					
Reserved	0	0	0	0	0
Unreserved	1,585	79,990	(80,905)	172,169	11,242
Total Fund Balances	1,585	79,990	(80,905)	172,169	11,242
Total Liabilities And Fund Balances	1,585	190,536	32,200	185,112	11,289

**CITY OF NEWMAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

Gas Tax Fund	Employee Home Loan Fund	K-9 Fund	COPS Grant Fund	Asset Forfeit Fund	Local Transportation Fund	County CDBG Construction Fund
0	21,009	1	23,887	985	628,869 (20,344)
0	0	0	0	0	0	0
0	0	0	25,000	0	27,106	110,553
0	142,600	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>163,609</u>	<u>1</u>	<u>48,887</u>	<u>985</u>	<u>655,975</u>	<u>90,209</u>
0	0	0	0	0	2,334	8,918
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>2,334</u>	<u>8,918</u>
0	0	0	0	0	0	0
0	163,609	1	48,887	985	653,641	81,291
0	163,609	1	48,887	985	653,641	81,291
<u>0</u>	<u>163,609</u>	<u>1</u>	<u>48,887</u>	<u>985</u>	<u>655,975</u>	<u>90,209</u>

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**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

	Business License Surcharge Fund	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
					2010	2009
Assets						
Cash And Investments	3,886	125,926	199,226	359,019	1,763,186	1,983,677
Cash with Fiscal Agent	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	162,659	133,003
Loans Receivable	0	0	0	0	142,600	40,000
Due From Other Funds	0	0	0	0	0	0
Total Assets	3,886	125,926	199,226	359,019	2,068,445	2,156,680
Liabilities And Fund Balances						
Liabilities						
Accounts Payable	0	11,199	0	32,934	181,433	116,014
Compensated Absences	0	343	0	0	390	0
Other Liabilities	1,867	0	0	0	112,413	110,546
Due To Other Funds	0	0	0	0	0	0
Total Liabilities	1,867	11,542	0	32,934	294,236	226,560
Fund Balances						
Reserved	0	0	0	0	0	0
Unreserved	2,019	114,384	199,226	326,085	1,774,209	1,930,120
Total Fund Balances	2,019	114,384	199,226	326,085	1,774,209	1,930,120
Total Liabilities And Fund Balances	3,886	125,926	199,226	359,019	2,068,445	2,156,680

**CITY OF NEWMAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund	Safety Grants Fund	Abandoned Vehicle Program
Revenues					
Investment Earnings	14	3,167	889	44	86
Intergovernmental	0	0	159,219	56,188	6,627
Property Taxes	0	0	0	0	0
Other Taxes	0	0	0	0	0
Impact Fees	0	6,305	0	0	0
Licenses And Permits	0	0	0	0	0
Service Charges And Miscellaneous	0	0	0	0	0
Total Revenues	14	9,472	160,108	56,232	6,713
Expenditures					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	3,577
Public Works	0	0	325,489	287	0
Community Development	0	0	0	0	0
Culture And Leisure	0	0	0	0	0
Debt Service					
Principal	0	0	0	0	0
Interest & Other Charges	0	0	0	0	0
Capital Outlay	0	0	485,976	87,970	0
Total Expenditures	0	0	811,465	88,257	3,577
Excess(Deficiency) Of Revenues					
Over Expenditures	14	9,472	(651,357)	(32,025)	3,136
Other Financing Sources (Uses)					
Operating Transfers In	0	0	207,000	268,328	0
Operating Transfers Out	0	(182,000)	0	(63,792)	0
Total Other Financing Sources (Uses)	0	(182,000)	207,000	204,536	0
Net Change In Fund Balances	14	(172,528)	(444,357)	172,511	3,136
Fund Balance - Beginning	1,571	252,518	363,452	(342)	8,106
Fund Balance - Ending	1,585	79,990	(80,905)	172,169	11,242

**CITY OF NEWMAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

Gas Tax Fund	Employee Home Loan Fund	K-9 Fund	COPS Grant Fund	Asset Forfeit Fund	Local Transportation Fund	County CDBG Construction Fund	Business License Surcharge Fund
550	143	0	740	8	4,969	170	46
0	0	0	100,099	0	303,765	395,981	0
0	0	0	0	0	0	0	0
178,135	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	9,964
0	0	338	0	0	108	3,883	0
<u>178,685</u>	<u>143</u>	<u>338</u>	<u>100,839</u>	<u>8</u>	<u>308,842</u>	<u>400,034</u>	<u>10,010</u>
0	0	0	0	0	0	0	8,613
0	0	110	0	0	0	0	0
0	0	0	0	0	5,431	98,053	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	132,576	313,333	0
<u>0</u>	<u>0</u>	<u>110</u>	<u>0</u>	<u>0</u>	<u>138,007</u>	<u>411,386</u>	<u>8,613</u>
<u>178,685</u>	<u>143</u>	<u>228</u>	<u>100,839</u>	<u>8</u>	<u>170,835</u>	<u>(11,352)</u>	<u>1,397</u>
0	0	0	0	0	0	0	0
<u>(178,685)</u>	<u>0</u>	<u>(2,822)</u>	<u>(100,000)</u>	<u>0</u>	<u>(25,000)</u>	<u>0</u>	<u>0</u>
<u>(178,685)</u>	<u>0</u>	<u>(2,822)</u>	<u>(100,000)</u>	<u>0</u>	<u>(25,000)</u>	<u>0</u>	<u>0</u>
0	143	(2,594)	839	8	145,835	(11,352)	1,397
<u>0</u>	<u>163,466</u>	<u>2,595</u>	<u>48,048</u>	<u>977</u>	<u>507,806</u>	<u>92,643</u>	<u>622</u>
<u>0</u>	<u>163,609</u>	<u>1</u>	<u>48,887</u>	<u>985</u>	<u>653,641</u>	<u>81,291</u>	<u>2,019</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Special Revenue

	Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
				2010	2009
Revenues					
Investment Earnings	1,544	1,690	3,160	17,220	41,592
Intergovernmental	0	0	0	1,021,879	1,009,836
Property Taxes	0	0	0	0	0
Other Taxes	181,529	0	0	359,664	383,954
Impact Fees	0	0	0	6,305	35,010
Licenses And Permits	0	0	0	9,964	10,179
Service Charges And Miscellaneous	117	0	0	4,446	1,744
Total Revenues	183,190	1,690	3,160	1,419,478	1,482,315
Expenditures					
General Government	0	0	9,871	18,484	70,649
Public Safety	0	0	0	3,687	35,089
Public Works	0	0	0	429,260	71,858
Community Development	244,418	0	0	244,418	184,784
Culture And Leisure	0	0	0	0	0
Debt Service					
Principal	0	0	23,224	23,224	22,120
Interest & Other Charges	0	0	4,994	4,994	6,098
Capital Outlay	0	0	51,207	1,071,062	822,583
Total Expenditures	244,418	0	89,296	1,795,129	1,213,181
Excess(Deficiency) Of Revenues Over Expenditures	(61,228)	1,690	(86,136)	(375,651)	269,134
Other Financing Sources (Uses)					
Operating Transfers In	0	0	0	475,328	408,962
Operating Transfers Out	0	0	0	(552,299)	(381,385)
Total Other Financing Sources (Uses)	0	0	0	(76,971)	27,577
Net Change In Fund Balances	(61,228)	1,690	(86,136)	(452,622)	296,711
Fund Balance - Beginning	175,612	197,536	412,221	2,226,831	1,930,120
Fund Balance - Ending	114,384	199,226	326,085	1,774,209	2,226,831

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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, 2010 and 2009, and have issued our report thereon dated November 4, 2010. 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
November 4, 2010

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

To The City Council
City of Newman
State of California

We have audited the general-purpose financial statements of the City of Newman, State of California for the year ended June 30, 2010 and 2009, and have issued our report thereon dated November 4, 2010. 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
November 4, 2010

CITY OF NEWMAN
REDEVELOPMENT AGENCY
COMPONENT UNIT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

**CITY OF NEWMAN
REDEVELOPMENT AGENCY**

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INDEPENDENT AUDITOR'S REPORT

To The Board Members
Redevelopment Agency of Newman Redevelopment Agency
State Of California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Newman Redevelopment Agency, State of California, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Redevelopment Agency's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Newman Redevelopment Agency'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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 general purpose 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, each major fund, and the aggregate remaining fund information of the City of Newman Redevelopment Agency, as of June 30, 2010 and 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on Pages 3 through 6 is not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newman Redevelopment Agency's basic financial statements. The combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balance – nonmajor governmental funds and schedules of revenue, expenditures, and changes in fund balances – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. These reports have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2010 on our consideration of the City of Newman Redevelopment Agency's internal control structure 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.

Clendenin Bird & Company,

CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 4, 2010

**City of Newman Redevelopment Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

As management of the City of Newman Redevelopment Agency we offer readers of the Agency's Financial Statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. This document has been prepared as required by the Statement No. 34 of Governmental Accounting Standards Board (GASB 34).

Financial Highlights

Tax increment revenues are more than sufficient to cover debt related expenses and provide funding for both housing and non-housing priorities. The Agency continues to deliver high quality projects that have been planned based on neighborhood and business needs and goals.

The following are the amounts received from tax increments in fiscal year 2009-2010 with comparative totals for the previous three fiscal years.

<u>Fiscal Year Receipt</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>
Total for the year	\$ 651,598	\$ 882,343	\$ 926,507	\$ 1,031,235

The assets of the Agency exceeded its liabilities at the close of the fiscal year by \$255,795 (net assets). The Agency's investment in assets is primarily in City owned property; it does not hold all capital purchases in its own name.

As of the close of the fiscal year, the Agency's funds (all governmental) reported combined ending fund balance of \$739,773 which is a decrease of \$779,878 in comparison with the prior year. A significant portion of this decline was the passing of State Legislation ABX4-26 requiring the Redevelopment Agency to make a \$402,877 payment to the Stanislaus County Supplemental Education Revenue Augmentation Fund (SERAF). An additional SERAF payment in 2010-2011 of \$83,000 is also required.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Redevelopment Agency basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements: The Government-wide Financial Statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

**City of Newman Redevelopment Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. The Agency, while a separate legal entity, acts as a financial conduit for the City and as such does not hold title to all the assets it helps construct. Therefore, its net assets are not any indication of its financial health.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements. All of the funds of the Agency can be divided into two categories: capital projects fund and debt service fund.

The Agency adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Government-wide Financial Analysis

By far the largest portion of the Agency's net assets reflects amounts designated for capital projects (e.g., land, buildings, machinery, and equipment). Unlike most other type of governmental bodies who provide day-to-day services, the main purpose of the Agency is to provide capital funds for the development of a certain geographical area of the City. The table below shows the components of the net assets.

**City of Newman Redevelopment Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Redevelopment Agency		
Net Assets:		
	2010	2009
Current Assets	\$ 822,546	\$ 1,690,547
Noncurrent Assets	2,136,022	2,136,158
Total Assets	<u>2,958,568</u>	<u>3,826,705</u>
Current Liabilities	82,783	170,896
Noncurrent Liabilities	2,620,000	2,735,000
Total Liabilities	<u>2,702,783</u>	<u>2,905,896</u>
Net Assets:		
Invested In capital Assets	(483,978)	(598,842)
Restricted	1,001,300	1,631,813
Unrestricted	<u>(261,527)</u>	<u>(112,162)</u>
Total Net Assets	<u>\$ 255,795</u>	<u>\$ 920,809</u>

There was a decrease of \$665,014 in the Agency's net assets (including prior year adjustment) during the fiscal year.

Governmental Activities: All the activities of the agency are governmental and it has no business-type activities.

Redevelopment Agency		
Change In Net Assets:		
	2010	2009
General Revenues:		
Property Tax (Tax Increments)	\$ 651,598	\$ 882,343
Miscellaneous and Transfers	(217,757)	(178,347)
Use of Money and Property	5,820	22,037
Total General Revenues	439,661	726,033
Net Expenses	<u>1,104,675</u>	<u>787,989</u>
Change In Net Assets:	(665,014)	(61,956)
Net Assets Beginning of Year	920,809	982,765
Net Assets End of Year	<u>\$ 255,795</u>	<u>\$ 920,809</u>

Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**City of Newman Redevelopment Agency
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Governmental Funds: The focus of the Agency's Governmental Funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. It should, however, be noted that most of the unreserved amounts have been designated by the Agency for specific uses.

The Agency is required by State law to set aside 20% of the tax increment revenue in a separate fund for low and moderate-income housing purposes. The fund balance in this fund, decreased by \$1,192 to \$766,610. The fund balance in the Redevelopment General Fund, decreased by \$778,686 to \$(26,837).

Budgetary Highlights

The Agency's overall revenues were \$570,833 less than estimated. The Agency's overall expenditures were \$499,628 over the estimated amount. Of that amount \$402,877 was due to the SERAF transfer.

Capital Asset and Debt Administration

Capital Assets: As of June 30, 2010, the Agency's capital assets were \$2,136,022. As noted earlier the Agency acts as a financial conduit for the City of Newman and as a result its investments in capital assets are recorded as City assets rather than Agency assets.

Long-term Debt: At the end of the current fiscal year, the Agency has total bonded debt outstanding of \$2,620,000. The tax increments revenue of the Agency secures all bonded debt of the Agency. The Agency's debt decreased by \$115,000 during the fiscal year. Additional information on the Agency long-term debt can be found in Note IV D of this report.

Economic Factors and Next Year's Budgets

Since the Agency's primary source of revenue is tax increments, property values and new construction in the redevelopment area are the key economic factors that define the future resources of the agency. Tax increment revenue decreased by 26.2% in fiscal year 2009-2010. The decrease is due to a decrease in property values in the Redevelopment Area.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Newman Finance Division at 1162 Main Street, Newman, CA 95360

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	Primary Government		
	Governmental Activities	Totals	
		2010	2009
ASSETS			
Cash And Investments	3,239	3,239	832,614
Cash with Fiscal Agent	261,527	261,527	277,888
Accounts Receivable	0	0	0
Loans Receivable	557,790	557,790	580,045
Capital Assets (Net Of Accumulated Depreciation):			
Land	1,262,332	1,262,332	1,262,332
Construction In Progress	57,669	57,669	0
Buildings And Improvements	172,103	172,103	182,702
Infrastructure	643,918	643,918	691,124
Total Assets	<u>2,958,578</u>	<u>2,958,578</u>	<u>3,826,705</u>
LIABILITIES			
Accounts Payable And Other			
Current Liabilities	73,144	73,144	164,818
Compensated Absences	9,639	9,639	6,078
Long-Term Liabilities:			
Due Within One Year	120,000	120,000	115,000
Due In More Than One Year	2,500,000	2,500,000	2,620,000
Total Liabilities	<u>2,702,783</u>	<u>2,702,783</u>	<u>2,905,896</u>
NET ASSETS			
Invested In Capital Assets			
Net Of Related Debt	(483,978)	(483,978)	(598,842)
Restricted For			
Community Development Projects	739,773	739,773	1,347,847
Debt Service	261,527	261,527	283,966
Unrestricted	(261,527)	(261,527)	(112,162)
Total Net Assets	<u>255,795</u>	<u>255,795</u>	<u>920,809</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	402,877
Community Development	508,262
Pass Through To Others	49,613
Interest On Long-Term Debt	143,923
Total Governmental Activities	<u>1,104,675</u>
Total Primary Government	<u><u>1,104,675</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets Primary Government		
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	2010	Totals 2009
0	0	0	(402,877)	(402,877)	0
0	0	0	(508,262)	(508,262)	(584,490)
0	0	0	(49,613)	(49,613)	(53,699)
0	0	0	(143,923)	(143,923)	(149,800)
0	0	0	(1,104,675)	(1,104,675)	(787,989)
0	0	0	(1,104,675)	(1,104,675)	(787,989)

General Revenues:

Taxes:			
Property Tax Increments	651,598	651,598	882,343
Investment Earnings	5,820	5,820	22,037
Intergovernmental	0	0	0
Service Charges And Miscellaneous Transfers	25,071	25,071	0
	(242,828)	(242,828)	(178,347)
Total General Revenues And Transfers	439,661	439,661	726,033
Change In Net Assets	(665,014)	(665,014)	(61,956)
Net Assets - Beginning	920,809	920,809	982,765
Net Assets - Ending	255,795	255,795	920,809

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	<u>General</u>	<u>Redevelopment Housing</u>	<u>Total Governmental 2010</u>	<u>2009</u>
Assets				
Cash And Investments	(369,493)	372,732	3,239	832,614
Cash with Fiscal Agent	261,527	0	261,527	277,888
Accounts Receivable	0	0	0	0
Loans Receivable	557,790	0	557,790	580,045
Interfund Receivable	<u>0</u>	<u>402,877</u>	<u>402,877</u>	<u>0</u>
Total Assets	<u>449,824</u>	<u>775,609</u>	<u>1,225,433</u>	<u>1,690,547</u>
Liabilities				
Accounts Payable	64,148	8,996	73,144	164,818
Compensated Absences	9,639	0	9,639	6,078
Interfund Payable	<u>402,877</u>	<u>0</u>	<u>402,877</u>	<u>0</u>
Total Liabilities	<u>476,664</u>	<u>8,996</u>	<u>485,660</u>	<u>170,896</u>
Fund Balances				
Reserved	0	0	0	0
Unreserved	(26,837)	<u>766,610</u>	<u>739,773</u>	<u>1,519,651</u>
Total Fund Balances	<u>(26,837)</u>	<u>766,610</u>	<u>739,773</u>	<u>1,519,651</u>
Total Liabilities And Fund Balances	<u>449,827</u>	<u>775,606</u>	<u>1,225,433</u>	<u>1,690,547</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total fund balances - governmental funds 739,773

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	1,262,332	
Construction In Progress	57,669	
Buildings and improvements, net of \$59,450, accumulated depreciation	172,103	
Infrastructure, net of \$300,196 accumulated depreciation	<u>643,918</u>	
Total capital assets		2,136,022

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	(<u>2,620,000</u>)	
Total long-term liabilities		(<u>2,620,000</u>)

Total net assets - governmental activities 255,795

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	<u>General</u>	<u>Redevelopment Housing</u>	<u>Total Governmental 2010</u>	<u>2009</u>
Revenues				
Property Tax Increments	521,278	130,320	651,598	882,343
Investment Earnings	(164)	5,984	5,820	22,034
Intergovernmental	0	0	0	0
Service Charges And Miscellaneous	24,573	498	25,071	0
Total Revenues	<u>545,687</u>	<u>136,802</u>	<u>682,489</u>	<u>904,377</u>
Expenditures				
Current				
General Government	0	0	0	0
Community Development	364,248	86,209	450,457	527,106
SERAF Shift	402,877	0	402,877	0
Pass Through To Others	49,613	0	49,613	53,699
Debt Service				
Principal	92,000	23,000	115,000	125,000
Interest And Other Charges	115,138	28,785	143,923	149,800
Capital Outlay	57,669	0	57,669	30,180
Total Expenditures	<u>1,081,545</u>	<u>137,994</u>	<u>1,219,539</u>	<u>885,785</u>
Excess (Deficiency) Of Revenues Over Expenditures				
	<u>(535,858)</u>	<u>(1,192)</u>	<u>(537,050)</u>	<u>18,592</u>
Other Financing Sources (Uses)				
Operating Transfers In	25,500	0	25,500	0
Operating Transfers Out	(268,328)	0	(268,328)	(178,347)
Total Other Financing Sources (Uses)	<u>(242,828)</u>	<u>0</u>	<u>(242,828)</u>	<u>(178,347)</u>
Net Change In Fund Balances	(778,686)	(1,192)	(779,878)	(159,755)
Fund Balance - Beginning	751,849	767,802	1,519,651	1,679,403
Fund Balance- Ending	<u>(26,837)</u>	<u>766,610</u>	<u>739,773</u>	<u>1,519,648</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
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, 2010**

Net change in fund balances - total governmental funds (779,878)

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 depreciation (\$57,805) exceeded capital outlay (\$57,669) in the current period. (136)

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. 115,000

Changes in net assets of governmental activities (665,014)

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2009 Actual
	Original	Final			
REVENUES					
Property Tax Increments	691,576	690,586	521,278	(169,308)	705,874
Investment Earnings	11,640	1,190	(164)	(1,354)	9,148
Service Charges And Miscellaneous	24,744	424,744	24,573	(400,171)	0
Intergovernmental	0	0	0	0	0
Total Revenues	<u>727,960</u>	<u>1,116,520</u>	<u>545,687</u>	<u>(570,833)</u>	<u>715,022</u>
EXPENDITURES					
Salaries And Benefits	106,381	94,756	119,064	24,308	92,330
Supplies And Services	312,381	225,410	245,184	19,774	405,440
Capital Outlay	5,000	5,000	57,669	52,669	30,180
SERAF Shift	0	0	402,877	402,877	0
Pass Through To Others	64,416	49,613	49,613	0	53,699
Debt Service					
Principal	92,000	92,000	92,000	0	100,000
Interest	<u>115,138</u>	<u>115,138</u>	<u>115,138</u>	<u>0</u>	<u>119,840</u>
Total Expenditures	<u>695,316</u>	<u>581,917</u>	<u>1,081,545</u>	<u>499,628</u>	<u>801,489</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>32,644</u>	<u>534,603</u>	<u>(535,858)</u>	<u>(1,070,461)</u>	<u>(86,467)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	25,500	25,500	0	0
Transfers Out	(523,417)	(523,417)	(268,328)	255,089	(178,347)
Total Other Financing Sources And (Uses)	<u>(523,417)</u>	<u>(497,917)</u>	<u>(242,828)</u>	<u>255,089</u>	<u>(178,347)</u>
Net Change In Fund Balance	(490,773)	36,686	(778,686)	(815,372)	(264,814)
Fund Balance - Beginning	<u>751,849</u>	<u>751,849</u>	<u>751,849</u>	<u>0</u>	<u>1,016,663</u>
Fund Balance - Ending	<u>261,076</u>	<u>788,535</u>	<u>(26,837)</u>	<u>(815,372)</u>	<u>751,849</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REDEVELOPMENT HOUSING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance	2009 Actual
	Original	Final		With Final Budget Over (Under)	
REVENUES					
Property Tax Increments	169,372	169,372	130,320	(39,052)	176,469
Investment Earnings	3,000	5,000	5,984	984	12,889
Service Charges And Miscellaneous	0	0	498	498	0
Total Revenues	<u>172,372</u>	<u>174,372</u>	<u>136,802</u>	<u>(37,570)</u>	<u>189,358</u>
EXPENDITURES					
Salaries And Benefits	26,596	23,690	28,544	4,854	21,562
Supplies And Services	20,000	23,257	57,665	34,408	7,774
Debt Service					
Principal	23,000	23,000	23,000	0	25,000
Interest	28,785	28,785	28,785	0	29,960
Total Expenditures	<u>98,381</u>	<u>98,732</u>	<u>137,994</u>	<u>39,262</u>	<u>84,296</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>73,991</u>	<u>75,640</u>	<u>(1,192)</u>	<u>(76,832)</u>	<u>105,062</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	73,991	75,640	(1,192)	(76,832)	105,062
Fund Balance - Beginning	<u>767,802</u>	<u>767,802</u>	<u>767,802</u>	<u>0</u>	<u>662,740</u>
Fund Balance - Ending	<u>841,793</u>	<u>843,442</u>	<u>766,610</u>	<u>(76,832)</u>	<u>767,802</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Redevelopment Agency of Newman, California 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:

- The financial statements include:
 - A Management and Discussion and Analysis (MD&A) section providing an analysis of the Redevelopment Agency’s overall financial position and results of operations.
 - Financial statements prepared using the full accrual accounting for all of the Redevelopment Agency’s activities, including 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 Redevelopment Agency’s accounting policies are described below:

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the Redevelopment Agency, a blended component unit of the City of Newman.

The financial statements of the Redevelopment Agency of the City of Newman have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and 34. GASB 14 defines the financial reporting entity and component units that need to be included in the reporting entity.

A component unit is a separate governmental unit, agency, or nonprofit corporation that is evaluated in relation to specific criteria to determine if it should be included in the financial reporting entity.

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Blended Component Unit

The Redevelopment Agency governing board is comprised of the members of the City Council, and City employees perform all activities of the Redevelopment Agency. Although it is legally separate from the City of Newman, the Redevelopment Agency is reported in the Redevelopment Agency's general purpose financial statements as if it were part of the City because its sole purpose is to encourage new investment and reinvestment within the Redevelopment Agency's legally designated redevelopment areas in partnership with property owners.

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 segment 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 statements (note that the Redevelopment Agency has no proprietary funds). Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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

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

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

The **General Fund** is the Redevelopment Agency'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 **Redevelopment Agency Housing Fund** accounts for 20% of the property tax revenues collected for the Redevelopment Agency. These revenues are to be used exclusively for development of low and moderate income housing within the designated redevelopment area.

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 for applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the Redevelopment Agency's policy to use restricted resources first, then unrestricted resources, as they are needed.

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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 Redevelopment Agency 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 Redevelopment Agency's cash and investment pool.

As the Redevelopment Agency 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 Redevelopment Agency 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 Redevelopment Agency, as well as its component units, 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.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangement 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.

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

2. Receivables and Payables (continued)

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.

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 delinquent December 10th, the second installment is due February 1st and delinquent 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 Redevelopment Agency has elected under state law (Teeter) to receive all of the annual property assessments in three installments as follows:

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

3. 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.

4. Capital Assets

Capital assets, which include property, plant, 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.

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

4. Capital Assets (continued)

Capital assets are defined by the Redevelopment Agency 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Redevelopment Agency is depreciated using the straight-line method over the following estimated useful lives:

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

5. 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

6. 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 Redevelopment Agency (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 nonexpendable portion of permanent trust funds and endowments is reported as permanently restricted. The Redevelopment Agency'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.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 Redevelopment Agency 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 and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The City Administrator may authorize transfers of appropriations within the budget or supplemental appropriations for items less than \$10,000. The transfer of appropriations or supplemental appropriations that are greater than \$10,000 must be approved by the Redevelopment Agency Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The board made several supplemental budgetary appropriations throughout the year.

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	3,239
Cash with Fiscal Agent	<u>261,527</u>
Total cash and investments	<u>264,766</u>

Cash and investments as of June 30, 2010 consist of the following:

Investment in Local Agency Investment Fund (LAIF)	3,239
Deposit with financial institution	<u>261,527</u>
Total cash and investments	<u>264,766</u>

The Redevelopment Agency's investment policy does not contain any specific provisions intended to limit the Redevelopment Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

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

		<u>Maturity Date</u>
State investment pool	<u>3,239</u>	7.1 months average maturity
Total	<u>3,239</u>	

Disclosures Relating to Credit Risk

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

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Concentration of Credit Risk

The investment policy of the Redevelopment Agency 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 Redevelopment Agency'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.

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

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental-type Activities				
Capital assets not being depreciated:				
Land	1,262,332	0	0	1,262,332
Construction In Progress	<u>0</u>	<u>57,669</u>	<u>0</u>	<u>57,669</u>
Total capital assets not being depreciated	<u>1,262,332</u>	<u>57,669</u>	<u>0</u>	<u>1,320,001</u>
Capital assets being depreciated:				
Infrastructure	944,114	0	0	944,114
Building And Improvements	<u>225,553</u>	<u>0</u>	<u>0</u>	<u>225,553</u>
Total capital assets being depreciated	<u>1,169,667</u>	<u>0</u>	<u>0</u>	<u>1,169,667</u>
Less accumulated depreciation for:				
Infrastructure	(252,990)	(47,206)	0	(300,196)
Building And Improvements	<u>(42,851)</u>	<u>(10,599)</u>	<u>0</u>	<u>(53,450)</u>
Total accumulated depreciation	<u>(295,841)</u>	<u>(57,805)</u>	<u>0</u>	<u>(353,646)</u>
Net capital assets being depreciated	<u>873,826</u>	<u>(57,805)</u>	<u>0</u>	<u>816,021</u>
Total net capital assets - Governmental-type activities	<u>2,136,158</u>	<u>(136)</u>	<u>0</u>	<u>2,136,022</u>

Depreciation was charged to functions/programs of governmental activities for the year ended June 30, 2010 as follows:

General government	5,486
Community Development	<u>52,319</u>
Total depreciation expense – governmental	<u>57,805</u>

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

C. Loans Receivable

The Agency had the following loans receivables as of June 30, 2010:

Westside Village	377,790
Jose Reynose	<u>180,000</u>
Total	<u>557,790</u>

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, 2010 was \$377,790.

A 10 year loan was issued to Jose Reynose for \$200,000 on June 24, 2009. The interest varies between 0% for two years, 3% for three years and 5.00% for the remainder of the loan. . The loan receivable balance as of June 30, 2010 was \$180,000.

D. Long-Term Debt

Certificate of Participation

In the year ended June 30, 1997 the City issued tax allocation project and housing bonds. The bonds payable balance for the 1997 tax allocation bonds were \$2,620,000 as of June 30, 2010.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2011	120,000	138,046	258,046
2012	125,000	131,798	256,798
2013	125,000	125,298	250,298
2014	130,000	118,571	248,571
2015	135,000	111,515	246,515
2016-2020	700,000	441,471	1,141,471
2021-2025	760,000	245,369	1,005,369
2026-2028	<u>525,000</u>	<u>48,375</u>	<u>573,375</u>
	<u>2,620,000</u>	<u>1,360,443</u>	<u>3,980,443</u>

**CITY OF NEWMAN
REDEVELOPMENT AGENCY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

D. Long-Term Debt (continued)

The following is a summary of changes in the Redevelopment Agency's long-term debt and other long-term liabilities during the year ended June 30, 2010:

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
Governmental Activities:				
Certificates of Participation	2,735,000	0	(115,000)	2,620,000
Total long-term liabilities	<u>2,735,000</u>	<u>0</u>	<u>(115,000)</u>	<u>2,620,000</u>

E. Stanislaus County Supplemental Education Revenue Augmentation Fund (SERAF)

On February 9, 2010 the Agency Board of Directors authorizing a loan of \$402,877 (the LMIHF Loan) from the Housing Fund to the Redevelopment Fund at 0% interest. The purpose for this loan was to comply with State Legislation ABX4-26 which among other things required the Redevelopment Agency to make payments to the Stanislaus County Supplemental Education Revenue Augmentation Fund (SERAF). Statute allows for the Agency to borrow funds from its Low and Moderate Income Housing Fund if there are insufficient other monies to make the required payment.

According to SB68 the Redevelopment Fund until 2015 to repay the May 2010 payment (\$402,877) and until 2016 to repay the payment that will be made in May 2011 (estimated to be \$83,000). Redevelopment monies come from tax increments. With the recent reduction in housing prices the Agency needs to look at the newly reduced tax increments. Should the values fall to the Redevelopment inception date levels there would be little to no tax increment. In the near future, most likely prior to the second SERAF payment, the Agency will have more information from which to create a more accurate repayment schedule. Currently the Agency is planning to repay the loan prior to the 5 year deadline to avoid incurring any interest charges.

F. Evaluation of Subsequent Events

The Agency has evaluated subsequent events through November 4, 2010, the date which the financial statements were available to be issued.

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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 Board Members
City of Newman Redevelopment Agency
State of California

We have audited the general-purpose financial statements of the City of Newman Redevelopment Agency, State of California, as of and for the year ended June 30, 2010 and 2009, and have issued our report thereon dated November 4, 2010. 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 Redevelopment Agency'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 Redevelopment Agency'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 City of 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
November 4, 2010

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INDEPENDENT AUDITOR'S COMPLIANCE REPORT

To The Board Members
City Of Newman Redevelopment Agency
State of California

We have audited the general purpose financial statements of the City of Newman Redevelopment Agency, a component unit of the City of Newman, State of California, for the year ended June 30, 2010 and 2009, and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit general purpose financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the City of Newman Redevelopment Agency is the responsibility of the City of Newman Redevelopment Agency's management. As part of obtaining reasonable assurance about whether the component unit general purpose financial statements are free of material misstatement, we performed tests of the City of Newman Redevelopment Agency's compliance with laws and regulations contained in the *Guideline for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Local Government Fiscal Affairs.

The results of our tests indicated that, with respect to the items tested, the City of Newman Redevelopment Agency complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Newman Redevelopment Agency had not complied, in all material respects, with those provisions.

This report is intended for the information of the City of Newman Redevelopment Agency and the State Controller's office. However, this report, upon acceptance by the City of Newman Redevelopment Agency, is a matter of public record and its distribution is not limited.

Clendenin Bird & Company

CLENDENIN BIRD & COMPANY, PC
Modesto, California
November 4, 2010

