

CITY OF NEWMAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newman, State of California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newman, State of California's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated November 15, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information.

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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Newman, State of California as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2012 on our consideration of the City of Newman, State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newman, State of California's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CLENDENIN BIRD & COMPANY, P.C.
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 19, 2012

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

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, 2012. Please read this document in conjunction with the accompanying Basic Financial Statements.

The City of Newman (the City) continues to be impacted by the weakness in the economy in fiscal year 2012. Revenues returned mixed as property tax revenues decreased due to the continued housing market woes; while sales tax revenues increased.

On February 1, 2012 all Redevelopment Agencies(RDA) statewide were dissolved with the California Supreme Court upholding ABx1-26. The City accepted to be the Successor Agency charged with the winding down of operations. The Financials for the Successor Agency (former RDA) are no longer published as a separate report. They are included with the Annual Financial Report for the City and listed as fiduciary responsibility. The City's financial highlights are presented below:

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2012 include the following:

Entity-wide:

- The City's total net assets were \$38,378,852 as of June 30, 2012. Of this total, \$25,909,661 was Governmental assets and \$12,469,191 was Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$2,714,801 and general revenues and transfers of \$2,418,561 for a total of \$5,133,362.
- Entity-wide Governmental expenses were \$4,777,596 with an extraordinary loss from RDA disposal of \$351,191 for a total of \$5,128,787.
- Entity-wide Business-type program revenues and interest revenue were \$3,713,235 while Business-type expenses and transfers were \$2,847,922.

Fund Level:

- Governmental Fund balances declined \$9,018 in fiscal year 2012
- Governmental Fund revenues declined \$3,759,596 in fiscal year 2012.
- Governmental Fund expenditures declined \$2,942,480 in fiscal year 2012.

General Fund:

- General Fund revenues of \$3,334,080 were \$5,651 less than the prior year.
- General Fund expenditures of \$3,466,875 represent a decrease of \$269,371 over the prior year.
- General Fund balance of \$3,100,191 as of June 30, 2012, is up \$69,804 from the fiscal year 2011's fund balance of \$3,030,387.

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 (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

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 revenues net of 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 (located after the Notes section) 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.

The City's governmental activities previously included the activities of another separate legal entity, the Redevelopment Agency of the City of Newman. With the California Supreme Court upholding ABx1-26 the Newman Redevelopment Agency is now dissolved (see Note IV D).

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

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

Fund Financial Statements

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

In the City's case, there are three Major Governmental Funds in addition to the General Fund: The CDBG Fund (Funds 15, 19 and 26), the Public Facility Improvement Fund (Fund 40), and the Storm Drain Fund (Fund 42). Both of the City's Enterprise Funds are reported as Major Proprietary Funds.

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

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

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

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2012

	Governmental Activities 2012	Governmental Activities 2011
Cash and investments	\$ 10,606,699	\$ 10,379,953
Other assets	4,822,852	6,240,738
Capital assets	<u>12,397,787</u>	<u>14,041,328</u>
Total assets	<u>27,827,338</u>	<u>30,662,019</u>
Long-term debt outstanding	300,642	2,617,345
Other liabilities	<u>1,617,035</u>	<u>2,139,588</u>
Total liabilities	<u>1,917,677</u>	<u>4,756,933</u>
Net assets:		
Invested in capital assets, net of debt	12,097,145	11,423,983
Restricted	10,804,036	10,897,227
Unrestricted	<u>3,008,480</u>	<u>3,583,876</u>
Total net assets	<u>\$ 5,909,661</u>	<u>\$ 25,905,086</u>

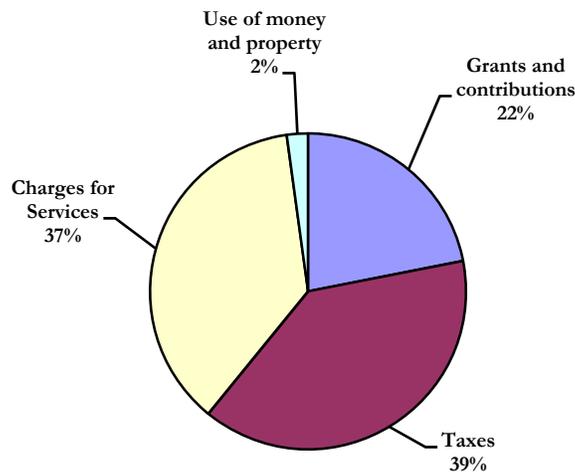
The City's governmental net assets amounted to \$25,909,661 as of June 30, 2012; an increase of \$4,575 from 2011. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2012 comprised the following:

- Cash and investments comprised \$10,606,699 in the city treasury and \$0 of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note III-A to the financial statements.
- Receivables comprised \$561,636 of current receivables and loans receivable for \$4,261,216.
- Capital assets of \$12,397,787, 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 \$1,524,348.
- Accrued compensated absence liabilities payable to employees of \$92,687, as detailed in Note III-I to the financial statements.
- Long-term debt of \$300,642 of which \$244,477 is due in future years and \$56,165 is due currently.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

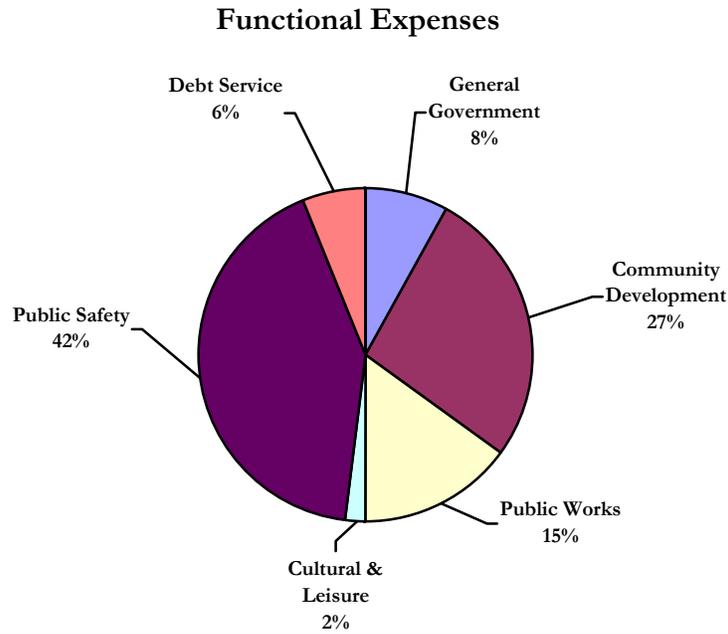
- Net assets invested in capital assets, net of related debt, of \$12,097,145, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$10,804,036, which may be used only to construct specified 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 \$3,008,480 of unrestricted net assets as of June 30, 2012.

Sources of Revenues



As the Sources of Revenue Chart above shows, \$2,000,335, or 39%, of the City's fiscal year 2012 governmental activities revenue came from taxes, while \$1,124,991, or 22%, came from grants and contributions, \$1,897,022, or 37%, came from charges for services, and the remainder came from the use of money and property (investments), as shown above.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012



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 \$366,775, or 8%, of total government expenses, community development and planning is \$1,176,457, or 27%, Public Safety is \$1,862,470 or 42%, Public Works is \$679,759, or 15%, Culture & Leisure is \$71,182, or 2%, and Debt Service is \$260,042 or 6%.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

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

Table 2
Changes in Governmental Net Assets

	Governmental Activities 2012
<u>Expenses</u>	
General government	\$ 394,975
Public Safety	1,956,323
Public Works	1,005,986
Community Development	1,241,340
Culture and Leisure	94,994
Interest on long term debt	83,978
Total expenses	<u>\$ 4,777,596</u>
 <u>Revenues</u>	
Program Revenues:	
Charges for services	\$ 1,897,022
Operating grants and contributions	817,779
Total program revenues	<u>2,714,801</u>
General revenues:	
Taxes	2,307,546
Use of money and property	111,015
Other	0
Total general revenues	<u>2,418,561</u>
Total revenues	<u>5,133,362</u>
 <u>Change in net assets</u>	 <u>\$ 355,766</u>

As the Sources of Revenue Chart and Table 2 above show, \$2,714,801, or 53%, of the City's fiscal year 2012 governmental revenue, came from program revenues and \$2,418,561, or 47%, came from general revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$1,897,022, which include permit revenues, fees and charges used to fund expenses incurred in providing services and \$817,779 of operating and capital grants and contributions which include gas tax revenues and housing and police grants.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

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

Table 3
Governmental Activities

	Net (Expense) Revenue From Services 2012
General government	\$ 1,069,424
Public Safety	(1,062,372)
Public Works	(915,150)
Community Development	(1,011,899)
Culture and Leisure	(58,820)
Interest on Long-Term Debt	(83,978)
Totals	<u>\$ (2,062,795)</u>

Business-type Activities

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

Table 4
Business-Type Net Assets

	Business-Type 2012	Business-Type 2011
Cash and investments	\$ 5,929,153	\$ 5,699,983
Other assets	434,601	347,361
Capital assets	<u>8,199,452</u>	<u>7,588,302</u>
Total assets	<u>14,563,206</u>	<u>3,635,646</u>
Long-term debt outstanding	1,827,648	1,552,473
Other liabilities	<u>266,367</u>	<u>479,295</u>
Total liabilities	<u>2,094,015</u>	<u>2,031,768</u>
Net assets:		
Invested in capital assets, net of debt	6,371,804	5,925,974
Restricted	0	0
Unrestricted	<u>6,097,387</u>	<u>5,677,904</u>
Total net assets	<u>\$ 12,469,191</u>	<u>\$ 11,603,878</u>

The net assets of business-type activities increased \$865,313 in fiscal year 2012.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

Table 5
Changes in Business-Type Net Assets

	Net (Expense) Revenue From Services 2012	Net (Expense) Revenue From Services 2011
Water Fund	\$ (129,235)	\$ (176,187)
Sewer Fund	<u>943,247</u>	<u>920,707</u>
Totals	<u>\$ 814,012</u>	<u>\$ 744,520</u>

Analyses of Major Funds

Governmental Funds

General Fund

General Fund revenues decreased \$5,651 this fiscal year. Decreases in Property Taxes and Licenses and Permits were nearly offset with increases in Sales Taxes and Service Charges. Actual revenues exceeded budgeted amounts by \$136,391. Revenues from Property Taxes decreased \$65,359 as assessed valuations decreased due to continued declining real estate values. Sales Tax Revenues were up \$134,824 while Charges for Services were up \$37,988, due to increases in administrative fees, reimbursed salaries and other miscellaneous revenues.

General Fund expenditures were \$3,466,875, a decrease of \$269,371 from the prior year. Expenditures were \$193,644 less than budgeted, primarily related to cost reductions associated with Public Works and Public Safety.

As of June 30, 2012, the General Fund's ending fund balance totaled \$3,100,191. In February of 2009 GASB issued Statement #54 changing the presentation of this fund balance. See the Note I. D.9 to the Basic Financial Statements for detail on the changes and classifications of fund balance. The unassigned portion of General Fund's fund balance is \$3,100,191. This represents the funds 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 (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

Public Facility Improvement Fund

This fund accounts for the improvement of public facilities funded by developer fees. In fiscal year 2012, the fund received \$6,810 in developer fees. Developer fee revenue decreased \$385,798 over the prior year mostly due to the completion of the Newman Family Apartments Project (now Mustang Peak Village Apartments) in the prior year and a significant decline in development in the current year.

The fund's fiscal year end fund balance of \$4,373,393 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 reduce.

Proprietary Funds

Water Fund

Operating Revenues increased \$102,551 to a total of \$992,123 in fiscal year 2012 due to an increase in home occupation. Operating Expenses increased \$71,839 to \$1,091,201. There was a resulting operating loss of \$99,078. The fund's net assets decreased \$118,083, to a new total of \$2,574,000. A water rate study awarded to Ecologic (now StanTech) is currently underway. In April of 2012, the 1982 Water Bonds were refunded with a simple loan. No funds are restricted for debt service. The unrestricted balance is \$999,381.

Sewer Fund

Net assets of the Sewer Fund increased \$983,396 in fiscal year 2012 to a total of \$9,895,191. This increase came from an increase in rates charged and increases in connection fees.

As of June 30, 2012, the fund's net assets were \$9,895,191, of which \$4,797,185 was invested in capital assets, net of related debt. No funds are restricted for debt service. The unrestricted balance is \$5,098,006.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

CAPITAL ASSETS

GASB Statement 34 requires the City to record all its capital assets including infrastructure. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2012, 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 2012 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 6 below:

Table 6
Capital Assets at Year-end

	<u>Balance at June 30, 2012</u>	<u>Balance at June 30, 2011</u>
<u>Governmental Activities</u>		
Land	\$ 2,129,254	\$ 3,360,205
Streets and Roads	2,562,543	3,506,657
Buildings	8,737,268	7,785,477
Construction in Progress	246,573	795,678
Equipment	2,997,110	2,812,080
Accumulated depreciation	<u>(4,274,961)</u>	<u>(4,218,769)</u>
Governmental activity capital assets, net	<u>\$ 12,397,787</u>	<u>\$ 14,041,328</u>
<u>Business-type Activities</u>		
Land	\$ 3,456,477	\$ 3,456,477
Construction in Progress	178,980	236,303
Buildings	798,714	139,672
Plant and Equipment	8,340,794	8,089,104
Accumulated depreciation	<u>(4,575,513)</u>	<u>(4,333,256)</u>
Business-type activity capital assets, net	<u>\$ 8,199,452</u>	<u>\$ 7,588,300</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.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2012. The City made all scheduled repayments of existing debt. In 1982 the City issued Water Revenue bonds which were refunded in April of 2012. The new outstanding balance of \$515,350 is a simple loan with no requirements as to collateral or reserve fund. Each of the City's debt issues is discussed in detail in Note III G to the financial statements. As of June 30, 2012, the City's debt comprised:

Table 7
Outstanding Debt

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<u>Governmental Activity Debt:</u>		
<u>Certificates of Participation:</u>		
1997 Tax allocation and housing, 5.375%-6.200%, due 8/1/27 (Transferred to Successor Agency after dissolution of RDA on 2/1/12)	\$ 0	\$ 2,500,000
<u>Other Long Term Obligations:</u>		
City Hall Purchase, 6%, due July 2017 (also Business Type Activity)	223,087	0
Note, 5%, due 9/26/12	41,349	80,731
Agricredit Capital Lease, 4%, due June 2014	5,694	0
Accounting Software, 5%, due May 2017 (also Business Type Activity)	<u>30,512</u>	<u>36,614</u>
Total Governmental Activity Debt	<u>\$ 300,642</u>	<u>\$ 2,617,345</u>
<u>Business-type Activity Debt:</u>		
<u>Revenue Bonds:</u>		
1982 Water Revenue Bonds, Series B, 5.00%, due in 2022	<u>\$ 0</u>	<u>\$ 542,000</u>
Total Revenue Bonds	0	542,000
<u>Other Long Term Obligations:</u>		
2011 Refunding of Sewer - CoPs, 3.9%, due 5/1/2017	805,100	937,245
2012 Refunding of Water – Bonds 3.375%, due 8/1/2022	515,350	0
City Hall Purchase, 6%, due July 2017 (also Governmental Activity)	446,174	0
Accounting Software, 5%, due May 2017 (also Governmental Activity)	<u>61,024</u>	<u>73,229</u>
Total Other Long Term Obligations	1,827,648	1,010,474
Total Business-type Activity Debt:	<u>\$ 1,827,648</u>	<u>\$ 1,552,474</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 938 Fresno Street, Newman, CA 95360.

CITY OF NEWMAN
STATEMENTS OF NET ASSETS
JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011

	Primary Government		Totals	
	Governmental Activities	Proprietary Activities	2012	2011
ASSETS				
Cash And Investments	10,606,699	5,929,153	16,535,852	15,818,396
Cash With Fiscal Agent	0	0	0	261,540
Accounts Receivable	561,636	434,601	996,237	1,429,448
Loans Receivable	4,261,216	0	4,261,216	5,151,688
Prepaid Expenses	0	0	0	6,963
Capital Assets (Net Of Accumulated Depreciation):				
Land	2,129,254	3,456,477	5,585,731	6,816,682
Construction In Progress	246,573	178,980	425,553	1,031,982
Buildings And Improvements	6,926,697	681,682	7,608,379	9,758,933
Equipment And Vehicles	1,058,291	402,763	1,461,054	1,060,594
Infrastructure	2,036,972	3,479,550	5,516,522	2,961,439
Total Assets	<u>27,827,338</u>	<u>14,563,206</u>	<u>42,390,544</u>	<u>44,297,665</u>
LIABILITIES				
Accounts Payable And Other				
Current Liabilities	1,524,348	226,607	1,750,955	2,440,981
Compensated Absences	92,687	39,760	132,447	177,902
Long-Term Liabilities:				
Due Within One Year	56,165	218,109	274,274	353,890
Due In More Than One Year	<u>244,477</u>	<u>1,609,539</u>	<u>1,854,016</u>	<u>3,815,928</u>
Total Liabilities	<u>1,917,677</u>	<u>2,094,015</u>	<u>4,011,692</u>	<u>6,788,701</u>
NET ASSETS				
Invested In Capital Assets				
Net Of Related Debt	12,097,145	6,371,804	18,468,949	17,349,957
Restricted For:				
Capital Projects	5,691,029	0	5,691,029	4,964,903
Community Development Projects	5,076,673	0	5,076,673	5,105,235
Debt Service	36,334	0	36,334	827,089
Unrestricted	<u>3,008,480</u>	<u>6,097,387</u>	<u>9,105,867</u>	<u>9,261,780</u>
Total Net Assets	<u>25,909,661</u>	<u>12,469,191</u>	<u>38,378,852</u>	<u>37,508,964</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	394,975
Public Safety	1,956,323
Public Works	1,005,986
Community Development	1,241,340
Culture And Leisure	94,994
Interest on Long-Term Debt	83,978
Total Governmental Activities	<u>4,777,596</u>
Business-Type Activities	
Water Services	1,136,043
Sewer Services	1,711,879
Total Business-Type Activities	<u>2,847,922</u>
Total Primary Government	<u><u>7,625,518</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	2012	2011
1,464,399	0	0	1,069,424	0	1,069,424	1,405,536
92,691	149,173	652,087	(1,062,372)	0	(1,062,372)	(1,430,536)
90,836	0	0	(915,150)	0	(915,150)	3,113,320
212,922	16,519	0	(1,011,899)	0	(1,011,899)	(1,442,329)
36,174	0	0	(58,820)	0	(58,820)	(89,414)
0	0	0	(83,978)	0	(83,978)	(143,946)
<u>1,897,022</u>	<u>165,692</u>	<u>652,087</u>	<u>(2,062,795)</u>	<u>0</u>	<u>(2,062,795)</u>	<u>1,412,631</u>
1,006,808	0	0	0	(129,235)	(129,235)	(176,187)
<u>2,655,126</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>943,247</u>	<u>943,247</u>	<u>920,707</u>
<u>3,661,934</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>814,012</u>	<u>814,012</u>	<u>744,520</u>
<u>5,558,956</u>	<u>165,692</u>	<u>652,087</u>	<u>(2,062,795)</u>	<u>814,012</u>	<u>(1,248,783)</u>	<u>2,157,151</u>

General Revenues:

Taxes:

Property Tax	828,855	0	828,855	1,106,467
Sales Tax	490,118	0	490,118	355,293
Motor Vehicle Tax	550,517	0	550,517	586,339
Franchise Tax	116,194	0	116,194	111,289
Other Taxes	321,862	0	321,862	277,939
Investment Earnings	111,015	51,301	162,316	142,942
Transfers	0	0	0	0
Total General Revenues And Transfers	<u>2,418,561</u>	<u>51,301</u>	<u>2,469,862</u>	<u>2,580,269</u>
Change In Net Assets	355,766	865,313	1,221,079	4,737,419
Extraordinary Loss From RDA Disposal	(351,191)	0	(351,191)	0
Net Assets - Beginning	<u>25,905,086</u>	<u>11,603,878</u>	<u>37,508,964</u>	<u>32,771,545</u>
Net Assets - Ending	<u>25,909,661</u>	<u>12,469,191</u>	<u>38,378,852</u>	<u>37,508,964</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	<u>General</u>	<u>CDBG</u>
Assets		
Cash And Investments	3,487,770	707,559
Cash with Fiscal Agent	0	0
Accounts Receivable	253,793	16,519
Loans Receivable	0	4,106,920
Prepaid Expenses	0	0
Total Assets	<u>3,741,563</u>	<u>4,830,998</u>
Liabilities		
Accounts Payable	30,295	0
Compensated Absences	0	0
Other Liabilities	611,077	0
Total Liabilities	<u>641,372</u>	<u>0</u>
Fund Balances		
Nonspendable	0	0
Restricted	0	4,830,998
Committed	0	0
Assigned	0	0
Unassigned	3,100,191	0
Total Fund Balances	<u>3,100,191</u>	<u>4,830,998</u>
Total Liabilities And Fund Balances	<u>3,741,563</u>	<u>4,830,998</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Public Facility Improvement Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2012	2011
4,373,393	207,523	1,830,454	10,606,699	10,118,413
0	0	0	0	261,540
0	0	291,324	561,636	1,082,087
0	0	154,296	4,261,216	5,151,688
0	0	0	0	6,963
<u>4,373,393</u>	<u>207,523</u>	<u>2,276,074</u>	<u>15,429,551</u>	<u>16,620,691</u>
0	0	0	30,295	454,803
0	0	976	976	7,019
0	770,563	112,413	1,494,053	1,564,124
0	770,563	113,389	1,525,324	2,025,946
0	0	0	0	6,963
0	0	305,940	5,136,938	5,963,816
4,373,393	0	1,184,721	5,558,114	5,645,332
0	0	779,190	779,190	662,680
0	(563,040)	(107,166)	2,429,985	2,315,954
<u>4,373,393</u>	<u>(563,040)</u>	<u>2,162,685</u>	<u>13,904,227</u>	<u>14,594,745</u>
<u>4,373,393</u>	<u>207,523</u>	<u>2,276,074</u>	<u>15,429,551</u>	<u>16,620,691</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Total fund balances - governmental funds 13,904,227

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	2,129,254	
Construction In Progress	246,573	
Infrastructure net of \$525,571 accumulated depreciation	2,036,972	
Buildings and Improvements, net of \$1,810,571 accumulated depreciation	6,926,697	
Equipment and Vehicles, net of \$1,938,819 accumulated depreciation	1,058,291	
Total capital assets		12,397,787

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	(300,642)	
Compensated absences	(91,711)	
Total long-term liabilities		(392,353)

Total net assets - governmental activities 25,909,661

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	<u>General</u>	<u>CDBG</u>
Revenues		
Property Tax	470,248	0
Sales Tax	490,118	0
Other Tax And Franchises	681,361	0
Licenses And Permits	74,923	0
Fines And Forfeitures	95,036	0
Investment Earnings	33,197	7,182
Intergovernmental	38,518	16,519
Impact Fees	0	0
Service Charges And Miscellaneous	1,450,679	2,383
Total Revenues	<u>3,334,080</u>	<u>26,084</u>
Expenditures		
Current		
General Government	342,060	0
Public Safety	1,819,003	0
Public Works	476,482	0
Community Development	758,419	19,575
Culture And Leisure	67,682	0
Debt Service		
Principal	0	0
Interest & Other Charges	0	0
Capital Outlay	3,229	0
Total Expenditures	<u>3,466,875</u>	<u>19,575</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(132,795)</u>	<u>6,509</u>
Other Financing Sources (Uses)		
Operating Transfers In	396,930	0
Operating Transfers Out	<u>(194,331)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>202,599</u>	<u>0</u>
Net Change In Fund Balances	69,804	6,509
Fund Balance - Beginning	<u>3,030,387</u>	<u>4,824,489</u>
Fund Balance- Ending	<u><u>3,100,191</u></u>	<u><u>4,830,998</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Public Facility Improvement Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2012	2011
0	0	358,607	828,855	1,106,467
0	0	0	490,118	355,293
0	0	0	681,361	975,565
0	0	10,717	85,640	104,368
0	0	0	95,036	163,965
38,495	1,766	30,375	111,015	88,510
0	0	1,069,954	1,124,991	3,425,946
45,935	6,810	210,539	263,284	956,646
0	0	0	1,453,062	1,716,198
<u>84,430</u>	<u>8,576</u>	<u>1,680,192</u>	<u>5,133,362</u>	<u>8,892,958</u>
0	0	24,715	366,775	338,763
0	0	43,467	1,862,470	1,806,545
21,973	0	181,304	679,759	686,126
0	0	398,463	1,176,457	1,429,212
0	0	3,500	71,182	78,848
19,363	0	156,701	176,064	157,511
13,851	0	70,127	83,978	143,946
<u>191,620</u>	<u>0</u>	<u>530,846</u>	<u>725,695</u>	<u>3,443,909</u>
<u>246,807</u>	<u>0</u>	<u>1,409,123</u>	<u>5,142,380</u>	<u>8,084,860</u>
(<u>162,377</u>)	<u>8,576</u>	<u>271,069</u>	(<u>9,018</u>)	<u>808,098</u>
0	0	394,366	791,296	592,214
<u>0</u>	<u>0</u>	(<u>596,965</u>)	(<u>791,296</u>)	(<u>592,214</u>)
<u>0</u>	<u>0</u>	(<u>202,599</u>)	<u>0</u>	<u>0</u>
(<u>162,377</u>)	<u>8,576</u>	(<u>613,030</u>)	(<u>9,018</u>)	<u>808,098</u>
<u>4,535,770</u>	(<u>571,616</u>)	<u>2,775,715</u>	<u>14,594,745</u>	<u>13,786,647</u>
<u>4,373,393</u>	(<u>563,040</u>)	<u>2,162,685</u>	<u>14,585,727</u>	<u>14,594,745</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds (9,018)

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 (\$725,695) exceeded depreciation (\$558,906) in the current period. 166,789

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. 176,064

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. 21,931

Changes in net assets of governmental activities 355,766

**CITY OF NEWMAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	2012				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2011 Actual
	Original	Final			
REVENUES					
Property Tax	491,500	473,500	470,248	(3,252)	535,607
Sales Tax	340,000	400,000	490,118	90,118	355,293
Other Tax And Franchise Fees	734,000	654,500	681,361	26,861	717,883
Licenses And Permits	80,540	71,540	74,923	3,383	93,496
Intergovernmental	32,000	32,000	38,518	6,518	35,453
Fines And Forfeitures	40,500	80,500	95,036	14,536	163,965
Investment Earnings	35,000	35,000	33,197	(1,803)	25,343
Service Charges And Miscellaneous	<u>1,355,955</u>	<u>1,375,955</u>	<u>1,450,679</u>	<u>74,724</u>	<u>1,412,691</u>
Total Revenues	<u>3,109,495</u>	<u>3,122,995</u>	<u>3,334,080</u>	<u>211,085</u>	<u>3,339,731</u>
EXPENDITURES					
General Government	362,438	373,282	342,060	(31,222)	329,098
Public Safety	1,837,802	1,929,302	1,819,003	(110,299)	1,796,060
Public Works	515,468	520,468	476,482	(43,986)	617,072
Community Development	759,297	759,497	758,419	(1,078)	896,945
Recreation And Leisure	75,392	75,392	67,682	(7,710)	76,699
Capital Outlay	<u>0</u>	<u>2,578</u>	<u>3,229</u>	<u>651</u>	<u>20,372</u>
Total Expenditures	<u>3,550,397</u>	<u>3,660,519</u>	<u>3,466,875</u>	<u>(193,644)</u>	<u>3,736,246</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(440,902)</u>	<u>(537,524)</u>	<u>(132,795)</u>	<u>404,729</u>	<u>(396,515)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	385,853	485,853	396,930	(88,923)	488,068
Transfers Out	<u>0</u>	<u>0</u>	<u>(194,331)</u>	<u>(194,331)</u>	<u>(40,000)</u>
Total Other Financing Sources And (Uses)	<u>385,853</u>	<u>485,853</u>	<u>202,599</u>	<u>(283,254)</u>	<u>448,068</u>
Net Change In Fund Balance	<u>(55,049)</u>	<u>(51,671)</u>	<u>69,804</u>	<u>121,475</u>	<u>51,553</u>
Fund Balance - Beginning	<u>3,030,387</u>	<u>3,030,387</u>	<u>3,030,387</u>	<u>0</u>	<u>2,978,834</u>
Fund Balance - Ending	<u>2,975,338</u>	<u>2,978,716</u>	<u>3,100,191</u>	<u>121,475</u>	<u>3,030,387</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	2012		Actual	Variance With Final Budget Over (Under)	2011 Actual
	Budgeted Amounts				
	Original	Final			
General Government					
City Council	40,825	45,825	34,989	(10,836)	25,628
City Manager	126,810	126,810	118,299	(8,511)	133,616
City Clerk	67,809	67,809	62,052	(5,757)	51,617
Finance And Treasurer	126,994	132,838	126,720	(6,118)	123,477
Total General Government	362,438	373,282	342,060	(31,222)	334,338
Public Safety					
Police	1,737,206	1,828,706	1,727,943	(100,763)	1,713,677
Fire	100,596	100,596	91,060	(9,536)	89,949
Total Public Safety	1,837,802	1,929,302	1,819,003	(110,299)	1,803,626
Public Works					
Government Buildings	50,876	55,876	63,767	7,891	53,456
Government Auxiliary	60,631	60,631	61,136	505	228,199
Street Maintenance	216,832	219,410	219,381	(29)	203,126
Parks	187,129	187,129	135,427	(51,702)	139,857
Total Public Works	515,468	523,046	479,711	(43,335)	624,638
Community Development					
Planning	69,497	69,697	62,956	(6,741)	81,948
Building Regulation	31,500	31,500	26,746	(4,754)	94,713
Refuse Disposal	633,750	633,750	650,656	16,906	640,702
Corporation Yard	4,550	4,550	5,368	818	5,903
Engineering	20,000	20,000	12,693	(7,307)	73,677
Total Community Development	759,297	759,497	758,419	(1,078)	896,943
Recreation And Leisure					
Recreation	75,392	75,392	67,682	(7,710)	76,699
Total Culture And Leisure	75,392	75,392	67,682	(7,710)	76,699
Total General Fund	3,550,397	3,660,519	3,466,875	(193,644)	3,736,244

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	2012				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2011 Actual
	Original	Final			
REVENUES					
Interest Income	1,500	1,500	7,182	5,682	8,689
Program Income	8,000	8,000	2,383	(5,617)	61,161
Intergovernmental	<u>408,950</u>	<u>408,950</u>	<u>16,519</u>	<u>(392,431)</u>	<u>0</u>
Total Revenues	<u>418,450</u>	<u>418,450</u>	<u>26,084</u>	<u>(392,366)</u>	<u>69,850</u>
EXPENDITURES					
Supplies And Services	<u>289,092</u>	<u>289,092</u>	<u>19,575</u>	<u>(269,517)</u>	<u>13,334</u>
Total Expenditures	<u>289,092</u>	<u>289,092</u>	<u>19,575</u>	<u>(269,517)</u>	<u>13,334</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>129,358</u>	<u>129,358</u>	<u>6,509</u>	<u>(122,849)</u>	<u>56,516</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	129,358	129,358	6,509	(122,849)	56,516
Fund Balance - Beginning	<u>4,824,489</u>	<u>4,824,489</u>	<u>4,824,489</u>	<u>0</u>	<u>4,767,973</u>
Fund Balance - Ending	<u>4,953,847</u>	<u>4,953,847</u>	<u>4,830,998</u>	<u>(122,849)</u>	<u>4,824,489</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	2012				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2011 Actual
	Original	Final			
REVENUES					
Interest Income	30,000	30,000	38,495	8,495	31,130
Impact Fees	57,946	57,946	45,935	(12,011)	392,608
Total Revenues	<u>87,946</u>	<u>87,946</u>	<u>84,430</u>	<u>(3,516)</u>	<u>423,738</u>
EXPENDITURES					
Supplies And Services	1,750	1,750	21,973	20,223	8,324
Capital Outlay	0	181,355	191,620	10,265	2,833
Debt Service					
Principal	13,784	13,784	19,363	5,579	13,129
Interest & Other Charges	1,410	1,410	13,851	12,441	2,065
Total Expenditures	<u>16,944</u>	<u>198,299</u>	<u>246,807</u>	<u>48,508</u>	<u>26,351</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>71,002</u>	<u>(110,353)</u>	<u>(162,377)</u>	<u>(52,024)</u>	<u>397,387</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	71,002	(110,353)	(162,377)	(52,024)	397,387
Fund Balance - Beginning	<u>4,535,770</u>	<u>4,535,770</u>	<u>4,535,770</u>	<u>0</u>	<u>4,138,383</u>
Fund Balance - Ending	<u>4,606,772</u>	<u>4,425,417</u>	<u>4,373,393</u>	<u>(52,024)</u>	<u>4,535,770</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
STORM DRAIN CAPTIAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	2012				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2011 Actual
	Original	Final			
REVENUES					
Interest Income	1,000	1,000	1,766	766	1,268
Impact Fees	13,314	13,314	6,810	(6,504)	39,324
Service Charges And Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>317</u>
Total Revenues	<u>14,314</u>	<u>14,314</u>	<u>8,576</u>	<u>(5,738)</u>	<u>40,909</u>
EXPENDITURES					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>14,314</u>	<u>14,314</u>	<u>8,576</u>	<u>(5,738)</u>	<u>40,909</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	14,314	14,314	8,576	(5,738)	40,909
Fund Balance - Beginning	(571,616)	(571,616)	(571,616)	0	(612,525)
Fund Balance - Ending	<u>(557,302)</u>	<u>(557,302)</u>	<u>(563,040)</u>	<u>(5,738)</u>	<u>(571,616)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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

JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011

Business-Type Activities-Enterprise Funds

	Sewer Fund	Water Fund	Totals	
			2012	2011
Assets				
Cash And Investments	4,803,962	1,125,191	5,929,153	5,699,983
Accounts Receivable	324,322	110,279	434,601	347,361
Fixed Assets	9,280,537	3,315,448	12,595,985	11,685,254
Accumulated Depreciation	(3,485,826)	(1,089,687)	(4,575,513)	(4,333,256)
Work In Progress	61,173	117,807	178,980	236,304
Total Assets	<u>10,984,168</u>	<u>3,579,038</u>	<u>14,563,206</u>	<u>13,635,646</u>
Liabilities				
Accounts Payable	5,125	15,617	20,742	228,245
Customer Deposits	0	104,875	104,875	92,819
Compensated Absences	25,153	14,607	39,760	57,241
Other Liabilities	0	100,990	100,990	100,990
Loan Payable	1,058,699	253,599	1,312,298	1,010,473
Bond Payable	<u>0</u>	<u>515,350</u>	<u>515,350</u>	<u>542,000</u>
Total Liabilities	<u>1,088,977</u>	<u>1,005,038</u>	<u>2,094,015</u>	<u>2,031,768</u>
Net Assets				
Invested In Capital Assets, Net Of Related Debt	4,797,185	1,574,619	6,371,804	5,925,974
Restricted For Debt Service	0	0	0	0
Unrestricted	<u>5,098,006</u>	<u>999,381</u>	<u>6,097,387</u>	<u>5,677,904</u>
Total Net Assets	<u>9,895,191</u>	<u>2,574,000</u>	<u>12,469,191</u>	<u>11,603,878</u>

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2012	2011
Operating Revenues				
Service Charges	2,388,473	976,871	3,365,344	2,967,450
Miscellaneous Revenues	163,139	15,252	178,391	144,525
Total Operating Revenues	<u>2,551,612</u>	<u>992,123</u>	<u>3,543,735</u>	<u>3,111,975</u>
Operating Expenses				
Employee Services	524,351	450,562	974,913	891,640
Supplies And Services	967,517	524,471	1,491,988	1,271,446
Depreciation	167,656	116,168	283,824	232,762
Total Operating Expenses	<u>1,659,524</u>	<u>1,091,201</u>	<u>2,750,725</u>	<u>2,395,848</u>
Operating Income (Loss)	<u>892,088</u>	<u>(99,078)</u>	<u>793,010</u>	<u>716,127</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	40,149	11,152	51,301	54,432
Connection Fees	2,330	8,125	10,455	0
Development Fees	101,184	6,560	107,744	156,667
Development Contribution	0	0	0	0
Interest Expense	<u>(52,355)</u>	<u>(44,842)</u>	<u>(97,197)</u>	<u>(128,274)</u>
Total Nonoperating Revenues (Expenses)	<u>91,308</u>	<u>(19,005)</u>	<u>72,303</u>	<u>82,825</u>
Income Before Transfers	<u>983,396</u>	<u>(118,083)</u>	<u>865,313</u>	<u>798,952</u>
Operating Transfer In	0	0	0	2,638,798
Operating Transfer Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,638,798)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change In Net Assets	983,396	(118,083)	865,313	798,952
Total Net Assets - Beginning	<u>8,911,795</u>	<u>2,692,083</u>	<u>11,603,878</u>	<u>10,804,926</u>
Total Net Assets - Ending	<u>9,895,191</u>	<u>2,574,000</u>	<u>12,469,191</u>	<u>11,603,878</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	Totals	
			2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers And Users	2,491,088	977,463	3,468,551	3,085,760
Payments To Suppliers	(1,077,813)	(621,677)	(1,699,489)	(1,116,963)
Payments To Employees	(533,253)	(459,142)	(992,395)	(883,169)
Net Cash Provided By Operating Activities	<u>880,022</u>	<u>(103,356)</u>	<u>776,666</u>	<u>1,085,627</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer Ins	0	0	0	2,638,798
Transfer Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,638,798)</u>
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection Fees	2,330	8,125	10,455	0
Development Fees	101,184	6,560	107,744	156,667
Purchase Of Capital Assets	(221,029)	(204,206)	(425,235)	(2,297,463)
Principal Paid On Capital Debt	(148,882)	(45,682)	(194,564)	(894,755)
Interest Paid On Capital Debt	(52,355)	(44,842)	(97,197)	(128,274)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(318,752)</u>	<u>(280,045)</u>	<u>(598,797)</u>	<u>(3,163,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>40,149</u>	<u>11,152</u>	<u>51,301</u>	<u>54,432</u>
Net Cash Provided By Investing Activities	<u>40,149</u>	<u>11,152</u>	<u>51,301</u>	<u>54,432</u>
Net Increase In Cash And Cash Equivalents	601,419	(372,249)	229,170	(2,023,766)
Cash And Equivalents, July 1	<u>4,202,543</u>	<u>1,497,440</u>	<u>5,699,983</u>	<u>7,723,749</u>
Cash And Equivalents, June 30	<u>4,803,962</u>	<u>1,125,191</u>	<u>5,929,153</u>	<u>5,699,983</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	Water	Totals	
	Fund	Fund	2012	2011
Operating Income	892,088	(99,078)	793,010	716,127
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	167,656	116,168	283,824	232,762
(Increase) Decrease In Accounts Receivable	(60,524)	(26,716)	(87,240)	(26,753)
Increase (Decrease) In Accounts Payable	(110,296)	(97,207)	(207,503)	154,481
Compensated Absences	(8,902)	(8,579)	(17,481)	8,472
Customer Deposits	0	12,056	12,056	538
Net Cash Provided (Used) By Operating Activities	<u>880,022</u>	<u>(103,356)</u>	<u>776,666</u>	<u>1,085,627</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2012**

	Successor Agency to the RDA Fund	Successor Agency Housing Fund	Totals 2012
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash And Investments	(91,549)	15,163	(76,386)
Restricted Cash	261,924	0	261,924
Accounts Receivable	12,513	0	12,513
Notes Receivable	556,679	300,000	856,679
Due From Other Funds	<u>0</u>	<u>485,822</u>	<u>485,822</u>
Total Assets	<u><u>739,567</u></u>	<u><u>800,985</u></u>	<u><u>1,540,552</u></u>
Liabilities And Fund Balances			
Liabilities			
Compensated Absences	9,609	0	9,609
Loan Payable	300,000	0	300,000
Due to Bond Paying Agent	0	0	0
Due To Other Government	<u>485,822</u>	<u>0</u>	<u>485,822</u>
Total Liabilities	<u><u>795,431</u></u>	<u><u>0</u></u>	<u><u>795,431</u></u>
Fund Balance	<u><u>(55,864)</u></u>	<u><u>800,985</u></u>	<u><u>745,121</u></u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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 through January 31, 2012. On February 1, 2012 all Redevelopment Agencies (RDA) statewide were dissolved. The City accepted to be the Successor Agency charged with the winding down of operations. The Successor Agency funds are now reported as a fiduciary fund in the City's financial statements.

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 non-fiduciary 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, 2012

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.

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

The city reports the following major proprietary funds.

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

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

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

D. Assets, Liabilities, Net Assets or Equity

1. Cash and Investments

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

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

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

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

1. Cash and Investments (continued)

- 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, 2012

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, 2012

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, 2012

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, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. Non-spendable and Restricted fund balances represent the restricted classifications, and Committed, Assigned, and Unassigned represent the unrestricted classifications.

- Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that are constrained for specific purposes which are externally (outside the City) imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that are constrained for specified purpose that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned fund balance represents limitations imposed by management.
- Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

9. Net Assets and Fund Equity (continued)

	General	CDBG	Public Facility Improv.	Storm Drain	Other Funds	Totals
Fund Balances:						
Nonspendable	0	0	0	0	0	0
Restricted To:	0	0	0	0	0	0
Capital Projects	0	0	0	0	93,622	93,622
Housing	0	0	0	0	154,296	154,296
Public Safety	0	0	0	0	295	295
Community Development	0	4,830,998	0	0	57,727	4,888,725
Committed To:						
Streets and Highway	0	0	0	0	722,085	722,085
Parks and Recreation	0	0	0	0	409,851	409,851
Housing	0	0	0	0	52,785	52,785
Public Safety	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Public Fac Improvements	0	0	4,373,393	0	0	4,373,393
Assigned To						
Streets and Highway	0	0	0	0	96,271	96,271
Transportation	0	0	0	0	0	0
Contingencies	0	0	0	0	202,422	202,422
Other Purposes	0	0	0	0	480,497	480,497
Unassigned	<u>3,100,191</u>	<u>0</u>	<u>0</u>	<u>(563,040)</u>	<u>(107,166)</u>	<u>2,429,985</u>
Total Fund Balances	<u><u>3,100,191</u></u>	<u><u>4,830,998</u></u>	<u><u>4,373,393</u></u>	<u><u>(563,040)</u></u>	<u><u>2,162,685</u></u>	<u><u>13,904,227</u></u>

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.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

A. Budgetary Information (continued)

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, 2012, the following fund has a deficit fund balance:

Storm Drain Fund	\$563,040
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Storm Drain Fund will be reimbursed by future assessments and fees collected from developers within the development district.

III. DETAILED NOTES ON ALL FUNDS

A. Cash And Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	<u>16,535,852</u>
Total cash and investments	<u>16,535,852</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	1,000
Deposits with financial institutions	9,398,571
Investments in LAIF	<u>7,136,281</u>
Total cash and investments	<u>16,535,852</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.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

A. Cash And Investments (continued)

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 8.93 months.

		<u>Maturity Date</u>
State investment pool	<u>7,136,281</u>	8.93 months average maturity
Total	<u>7,136,281</u>	

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Custodial Credit Risk (continued)

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

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

Cash with Fiscal Agent

The City maintains cash and investments which are restricted under the terms of various debt agreements. The money is included in the City's pooled cash and investment program. Restricted cash and investments as of June 30, 2012 is \$261,924 in the Redevelopment Agency Fund. The Redevelopment Agency Fund is now reported as a fiduciary fund. See Note D on page 57 for further explanation.

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.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

B. Accounts Receivable

Receivables at June 30, 2012 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	<u>General</u>	<u>CDBG</u>	<u>Non-Major Govern- mental</u>	<u>Total</u>
Governmental Activities:				
Utility Billing	87,911	0	0	87,911
Intergovernmental	<u>165,882</u>	<u>16,519</u>	<u>291,324</u>	<u>473,725</u>
Total	<u>253,793</u>	<u>16,519</u>	<u>291,324</u>	<u>561,636</u>

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Utility Billing	109,949	320,735	430,684
Other	<u>330</u>	<u>3,587</u>	<u>3,917</u>
Total	<u>110,279</u>	<u>324,322</u>	<u>434,601</u>

C. Loans Receivable

The City is the recipient of Community Development Block Grant and Home Program Funds. The Funds are provided for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 4%. The terms of the loans range between fifteen and thirty-eight years. All loans are secured by deeds of trust. The amount outstanding as of June 30, 2012 is \$4,106,920.

D. Evaluation of Subsequent Events

The City has evaluated subsequent events through November 19, 2012, the date which the financial statements were available to be issued.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

E. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental-type Activities				
Capital assets not being depreciated:				
Land	3,360,205	31,381	(1,262,332)	2,129,254
Construction in progress	<u>795,678</u>	<u>60,354</u>	<u>(609,459)</u>	<u>246,573</u>
Total capital assets not being depreciated	<u>4,155,883</u>	<u>91,735</u>	<u>(1,871,791)</u>	<u>2,375,827</u>
Capital assets being depreciated:				
Infrastructure	3,506,657	0	(944,114)	2,562,543
Equipment and vehicles	2,812,080	242,708	(57,678)	2,997,110
Building and improvements	<u>7,785,477</u>	<u>1,177,343</u>	<u>(225,552)</u>	<u>8,737,268</u>
Total capital assets being depreciated	<u>14,104,214</u>	<u>1,420,051</u>	<u>(1,227,344)</u>	<u>14,296,921</u>
Less accumulated depreciation for:				
Infrastructure	(796,456)	(104,052)	374,937	(525,571)
Equipment and vehicles	(1,799,446)	(195,828)	56,455	(1,938,819)
Building and improvements	<u>(1,622,867)</u>	<u>(259,026)</u>	<u>71,322</u>	<u>(1,810,571)</u>
Total accumulated depreciation	<u>(4,218,769)</u>	<u>(558,906)</u>	<u>502,714</u>	<u>(4,274,961)</u>
Net capital assets being depreciated	<u>9,885,445</u>	<u>861,145</u>	<u>(724,630)</u>	<u>10,021,960</u>
Total net capital assets - Governmental-type activities	<u>14,041,328</u>	<u>952,880</u>	<u>(2,596,421)</u>	<u>12,397,787</u>

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

Government Activities:

General Government	25,216
Public Safety	114,762
Public Works	331,119
Community Development	64,883
Culture And Leisure	<u>22,926</u>
Total Depreciation Expense – Government Activities	<u>558,906</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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	3,456,477	0	0	3,456,477
Construction In Progress	<u>236,303</u>	<u>103,668</u>	<u>(160,991)</u>	<u>178,980</u>
Total capital assets not being depreciated	<u>3,692,780</u>	<u>103,668</u>	<u>(160,991)</u>	<u>3,635,457</u>
Capital assets being depreciated:				
Infrastructure	7,095,416	66,360	0	7,161,776
Equipment And Vehicles	993,688	226,897	(41,567)	1,179,018
Building And Improvements	<u>139,672</u>	<u>659,042</u>	<u>0</u>	<u>798,714</u>
Total capital assets being depreciated	<u>8,228,776</u>	<u>952,299</u>	<u>(41,567)</u>	<u>9,139,508</u>
Less accumulated depreciation for:				
Infrastructure	(3,501,615)	(180,611)	0	(3,682,226)
Equipment And Vehicles	(742,622)	(75,200)	41,567	(776,255)
Building And Improvements	<u>(89,019)</u>	<u>(28,013)</u>	<u>0</u>	<u>(117,032)</u>
Total accumulated depreciation	<u>(4,333,256)</u>	<u>(283,824)</u>	<u>41,567</u>	<u>(4,575,513)</u>
Net capital assets being depreciated	<u>3,895,520</u>	<u>668,475</u>	<u>0</u>	<u>4,563,995</u>
Total net capital assets - Business-type activities	<u>7,588,300</u>	<u>772,143</u>	<u>(160,991)</u>	<u>8,199,452</u>

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

Business- Type Activities:

Water	116,168
Sewer	<u>167,656</u>
Total Depreciation Expense – Business-Type Activities	<u>283,824</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

F. Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	396,930	194,331
Federal Grants	200,035	84,763
Capital Repair	194,331	0
Gas Tax	0	212,140
Local Transportation	0	50,035
COPS Grant	0	100,027
RDA General	0	150,000
Total	791,296	791,296

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 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 \$41,348 as of June 30, 2012.

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	41,348	2,063	43,411
Total	41,348	2,063	43,411

Agricredit Capital Lease

The City leased a Mule UTV in August 2011 from Agricredit LLC for \$5,694. Repayment will be made in two yearly installments of \$2,847 at a 4% rate of interest. The lease balance was \$5,694 as of June 30, 2012.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

G. Long-Term Debt (continued)

Odd Fellows Building

The City purchased the Odd Fellows Building in July 2011 for the new City Hall from the Grand Lodge of California for \$980,000. The purchase price was split three ways with Water, Sewer and General Fund. The amount finance \$686,000 at 6% for five years. The loan matures in July 2017. The General Fund principal balance was \$223,087 as of June 30, 2012.

Year Ending June 30	Principal	Interest	Total
2013	6,449	13,210	19,659
2014	6,847	12,812	19,659
2015	7,269	12,390	19,659
2016	7,717	11,941	19,658
2017	194,805	974	195,779
	<u>223,087</u>	<u>51,327</u>	<u>274,414</u>

Springbrook Accounting Software Purchase

The City purchased Springbrook Accounting Software in May 2011 from Springbrook Software Inc. for \$142,191. The purchase price was split three ways with Water, Sewer and General Fund. Repayment will be made in yearly installments, the first year of \$18,307 at a 0% and the remaining payments at \$21,140 at a 5% rate of interest. The loan matures in May 2017. The General Fund principal balance was \$30,512 as of June 30, 2012.

Year Ending June 30	Principal	Interest	Total
2013	5,521	1,526	7,047
2014	5,797	1,250	7,047
2015	6,087	960	7,047
2016	6,391	655	7,046
2017	6,716	335	7,051
	<u>30,512</u>	<u>4,726</u>	<u>35,238</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

G. Long-Term Debt (continued)

Business-Type Activities:

The \$1,050,000 of Water Revenue Bonds of 1982 are due in annual installments of \$9,000 to \$59,000 through 2022 with interest of 5%. This issue is being serviced, principal and interest by the Water Fund. This was refinanced in April 2012 lowering the interest rate to 3.375% for the remainder of the payments. The principal amount unpaid at June 30, 2012 is \$515,350.

Year Ending June 30	Principal	Interest	Total
2013	48,269	12,230	60,499
2014	45,656	14,994	60,650
2015	40,602	13,538	54,140
2016	41,996	12,144	54,140
2017	43,336	10,704	54,040
2018-2022	241,512	29,963	271,475
2023	53,979	911	54,890
	<u>515,350</u>	<u>94,484</u>	<u>609,834</u>

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%. This was refinanced in 2011, which paid down the bond payable and set the interest rate at 3.9% for the remainder of the payments. The bonds payable as of June 30, 2012 is \$805,100.

Year Ending June 30	Principal	Interest	Total
2013	145,900	31,399	177,299
2014	156,400	25,709	182,109
2015	161,500	19,609	181,109
2016	166,100	13,311	179,411
2017	175,200	6,833	182,033
Total	<u>805,100</u>	<u>96,861</u>	<u>901,961</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

G. Long-Term Debt (continued)

Springbrook Accounting Software Purchase

The City purchased Springbrook Accounting Software in May 2011 from Springbrook Software Inc. for \$142,191. The purchase price was split three ways with Water, Sewer and General Fund. Repayment will be made in yearly installments, the first year of \$18,307 at a 0% and the remaining payments at \$21,140 at a 5% rate of interest. The loan matures in May 2017. The Water and Sewer Fund principal balance is \$61,024 split evenly as of June 30, 2012.

Year Ending June 30	Principal	Interest	Total
2013	11,042	3,052	14,094
2014	11,594	2,500	14,094
2015	12,174	1,920	14,094
2016	12,782	1,310	14,092
2017	13,432	670	14,102
	<u>61,024</u>	<u>9,452</u>	<u>70,476</u>

Odd Fellows Building

The City purchased the Odd Fellows Building in July 2011 for the new City Hall from the Grand Lodge of California for \$980,000. The purchase price was split three ways with Water, Sewer and General Fund. The amount finance \$686,000 at 6% for five years. The loan matures in July 2017. The Water and Sewer Fund principal balance is \$446,174 split evenly as of June 30,2012.

Year Ending June 30	Principal	Interest	Total
2013	12,898	26,420	39,318
2014	13,694	25,642	39,336
2015	14,538	24,780	39,318
2016	15,434	23,882	39,316
2017	389,610	1,948	391,558
	<u>446,174</u>	<u>102,672</u>	<u>548,846</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

G.Long-Term Debt (continued)

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Loans Payable	80,731	0 (	39,383)	41,349	41,348
City Hall Purchase	0	228,667 (	5,580)	223,087	6,449
Springbrook Software Note	36,614	0 (	6,102)	30,512	5,521
Certificate of Participation	2,500,000	0 (	2,500,000)	0	0
Agricredit Capital Lease	<u>0</u>	<u>5,694</u>	<u>0</u>	<u>5,694</u>	<u>2,847</u>
Long-term liabilities of Governmental Activities:	<u>2,617,345</u>	<u>234,361</u>	<u>(2,551,065)</u>	<u>300,642</u>	<u>56,165</u>

Due to the dissolution of the Redevelopment Agency, the balance of the Certificate of Participation was transferred out of the City to the fiduciary fund.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds (Refinanced)	542,000	7,350 (	34,000)	515,350	48,269
City Hall Purchase	0	457,333 (	11,159)	446,174	12,898
Certificate of Participation (Refinanced)	937,245	5,055 (	137,200)	805,100	145,900
Springbrook Software Note	<u>73,229</u>	<u>0</u>	<u>(12,205)</u>	<u>61,024</u>	<u>11,042</u>
Long-term liabilities of Governmental Activities:	<u>1,552,474</u>	<u>469,738</u>	<u>(194,564)</u>	<u>1,827,648</u>	<u>218,109</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

H. Payables And Other Liabilities

Payables at June 30, 2012 for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General</u>	<u>Storm Drain</u>	<u>Non-major Govern- mental</u>	<u>Total</u>
<u>Governmental Activities:</u>				
Vendors	30,295	0	0	30,295
Developer Deposits	<u>611,077</u>	<u>770,563</u>	<u>112,413</u>	<u>1,494,053</u>
Total	<u><u>641,372</u></u>	<u><u>770,563</u></u>	<u><u>112,413</u></u>	<u><u>1,524,348</u></u>
	<u>Water</u>	<u>Sewer</u>		
<u>Business-Type Activities:</u>				
Vendors	15,617	5,125	20,742	
Customer Deposits	104,875	0	104,875	
Developer Deposits	<u>100,990</u>	<u>0</u>	<u>100,990</u>	
Total	<u><u>221,482</u></u>	<u><u>5,125</u></u>	<u><u>226,607</u></u>	

I. 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. The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Totals</u>
Beginning Balance	120,661	57,241	177,902
Additions	0	0	0
Deletions	<u>(27,974)</u>	<u>(17,481)</u>	<u>(45,455)</u>
Ending Balance	<u><u>92,687</u></u>	<u><u>39,760</u></u>	<u><u>132,447</u></u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

The financial position and results of operations for the CSJVRMA, as of June 30, 2011, are presented below:

Total Assets	<u>69,444,059</u>
Total Liabilities	55,945,081
Total Net Assets	<u>13,498,978</u>
Total Liabilities & Retained Earnings	<u>69,444,059</u>
Total Revenues for Year	27,941,713
Total Expenses for Year	<u>26,326,659</u>
Net Income for Year	<u>1,615,054</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.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 – SacramentoCA95814.

In December 2010, the City of Newman added a second lower cost tier for future employees. Participants on Tier 1 are required to contribute 8% (9% for public-safety employees) and participants on Tier 2 are required to contribute 7% (9% for public-safety employees) of their annual covered salary. For employees on Tier 1, the City partially contributes on behalf of the employees (5% for Misc. and 6% for Safety). For employees on Tier 2, the City makes no required contributions on behalf of the employees. The contribution requirements of plan members and the City are established and may be amended by PERS. The City is required to contribute at an actuarially determined rate. The current rate is 20.492% (9.539% for Tier 2) for non-safety employees, and 31.401% (20.308% for Tier 2) of police employees, of annual covered payroll.

For June 30, 2012, the City's annual pension cost was \$426,442 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>
06/30/10	\$400,072	100%	0
06/30/11	\$369,891	100%	0
06/30/12	\$426,442	100%	0

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

D – Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Newman that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-10.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

D – Successor Agency Trust For Assets of Former Redevelopment Agency (continued)

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	(681,500)
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	(2,044,691)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>2,375,000</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government wide-financial statements of the City)	<u>(351,191)</u>

With the passing of AB1484 the State has developed a method whereby the City can receive a “Finding of Completion”. A “Finding of Completion” will allow the City to be reimbursed for its previous debts and expenditures on behalf of the former RDA and current Successor Agency. AB1484 also provides a method whereby assets slated for government use can be transferred to the City after receiving the “Finding of Completion” and having completed a long term asset plan. The long term asset plan should be completed around the middle of calendar year 2013.

**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.

Federal 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.

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.

**COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

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.

RDA General and Housing Funds – To account for the first seven months of Redevelopment Agency general and housing activities before dissolution of the RDA funds on January 31, 2012.

**CITY OF NEWMAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	Special Revenue		
	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund
Assets			
Cash And Investments	1,610	520,397	(205,231)
Cash with Fiscal Agent	0	0	0
Accounts Receivable	0	0	100,000
Loans Receivable	0	0	0
Due From Other Funds	0	0	0
Total Assets	<u>1,610</u>	<u>520,397</u>	<u>(105,231)</u>
Liabilities And Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Compensated Absences	0	0	0
Other Liabilities	0	110,546	0
Due To Other Funds	0	0	0
Total Liabilities	<u>0</u>	<u>110,546</u>	<u>0</u>
Fund Balances			
Nonspendable	0	0	0
Restricted	0	0	0
Committed	0	409,851	0
Assigned	1,610	0	0
Unassigned	0	0	(105,231)
Total Fund Balances	<u>1,610</u>	<u>409,851</u>	<u>(105,231)</u>
Total Liabilities And Fund Balances	<u>1,610</u>	<u>520,397</u>	<u>(105,231)</u>

Special Revenue

Abandoned Vehicle Program	Gas Tax Fund	Employee Home Loan Fund	Federal Grants Fund	COPS Grant Fund	Asset Forfeit Fund
18,942	70,799	52,785	93,622	(24,714)	1,001
0	0	0	0	0	0
2,022	25,472	0	0	25,009	0
0	0	154,296	0	0	0
0	0	0	0	0	0
<u>20,964</u>	<u>96,271</u>	<u>207,081</u>	<u>93,622</u>	<u>295</u>	<u>1,001</u>
0	0	0	0	0	0
221	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
20,743	0	154,296	93,622	295	0
0	0	52,785	0	0	0
0	96,271	0	0	0	1,001
0	0	0	0	0	0
<u>20,743</u>	<u>96,271</u>	<u>207,081</u>	<u>93,622</u>	<u>295</u>	<u>1,001</u>
<u>20,964</u>	<u>96,271</u>	<u>207,081</u>	<u>93,622</u>	<u>295</u>	<u>1,001</u>

**CITY OF NEWMAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

Special Revenue

	Local Transportation Fund	County CDBG Construction Fund	Business License Surcharge Fund
Assets			
Cash And Investments	722,085	(140,756)	16,162
Cash with Fiscal Agent	0	0	0
Accounts Receivable	0	138,821	0
Loans Receivable	0	0	0
Due From Other Funds	0	0	0
Total Assets	<u>722,085</u>	<u>(1,935)</u>	<u>16,162</u>
Liabilities And Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Compensated Absences	0	0	0
Other Liabilities	0	0	1,867
Due To Other Funds	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,867</u>
Fund Balances			
Nonspendable	0	0	0
Restricted	0	0	0
Committed	722,085	0	0
Assigned	0	0	14,295
Unassigned	0	(1,935)	0
Total Fund Balances	<u>722,085</u>	<u>(1,935)</u>	<u>14,295</u>
Total Liabilities And Fund Balances	<u>722,085</u>	<u>(1,935)</u>	<u>16,162</u>

Special Revenue

Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
			2012	2011
37,739	202,422	463,591	1,830,454	1,672,128
0	0	0	0	0
0	0	0	291,324	416,930
0	0	0	154,296	171,938
0	0	0	0	0
<u>37,739</u>	<u>202,422</u>	<u>463,591</u>	<u>2,276,074</u>	<u>2,260,996</u>
0	0	0	0	160,232
755	0	0	976	378
0	0	0	112,413	110,546
0	0	0	0	0
<u>755</u>	<u>0</u>	<u>0</u>	<u>113,389</u>	<u>271,156</u>
0	0	0	0	0
36,984	0	0	305,940	315,575
0	0	0	1,184,721	1,109,562
0	202,422	463,591	779,190	662,680
0	0	0	(107,166)	(97,977)
<u>36,984</u>	<u>202,422</u>	<u>463,591</u>	<u>2,162,685</u>	<u>1,989,840</u>
<u>37,739</u>	<u>202,422</u>	<u>463,591</u>	<u>2,276,074</u>	<u>2,260,996</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	Special Revenue		
	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund
Revenues			
Investment Earnings	14	4,482	0
Intergovernmental	0	0	265,768
Property Taxes	0	0	0
Other Taxes	0	0	0
Impact Fees	0	10,272	0
Licenses And Permits	0	0	0
Service Charges And Miscellaneous	0	0	0
Total Revenues	<u>14</u>	<u>14,754</u>	<u>265,768</u>
Expenditures			
General Government	0	0	0
Public Safety	0	0	0
Public Works	0	0	173,022
Community Development	0	0	0
Culture And Leisure	0	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	0	0	100,000
Total Expenditures	<u>0</u>	<u>0</u>	<u>273,022</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>14</u>	<u>14,754</u>	<u>(7,254)</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Extraordinary Gain/(Loss) on RDA Disposal	0	0	0
Net Change In Fund Balances	14	14,754	(7,254)
Fund Balance - Beginning	<u>1,596</u>	<u>395,097</u>	<u>(97,977)</u>
Fund Balance - Ending	<u>1,610</u>	<u>409,851</u>	<u>(105,231)</u>

Special Revenue

Abandoned Vehicle Program	Gas Tax Fund	Employee Home Loan Fund	Federal Grants Fund	COPS Grant Fund	Asset Forfeit Fund	Local Transportation Fund
141	1,199	3,222	957	295	9	5,999
10,628	307,212	0	136,852	100,027	0	100,694
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>10,769</u>	<u>308,411</u>	<u>3,222</u>	<u>137,809</u>	<u>100,322</u>	<u>9</u>	<u>106,693</u>
0	0	0	0	0	0	0
4,822	0	0	0	0	0	0
0	0	0	0	0	0	5,405
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	166,467	0	0	11,712
<u>4,822</u>	<u>0</u>	<u>0</u>	<u>166,467</u>	<u>0</u>	<u>0</u>	<u>17,117</u>
<u>5,947</u>	<u>308,411</u>	<u>3,222</u>	<u>(28,658)</u>	<u>100,322</u>	<u>9</u>	<u>89,576</u>
0	0	0	200,035	0	0	0
0	(212,140)	0	(84,763)	(100,027)	0	(50,035)
0	(212,140)	0	115,272	(100,027)	0	(50,035)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
5,947	96,271	3,222	86,614	295	9	39,541
<u>14,796</u>	<u>0</u>	<u>203,859</u>	<u>7,008</u>	<u>0</u>	<u>992</u>	<u>682,544</u>
<u>20,743</u>	<u>96,271</u>	<u>207,081</u>	<u>93,622</u>	<u>295</u>	<u>1,001</u>	<u>722,085</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2011**

	Special Revenue		
	County CDBG Construction Fund	Business License Surcharge Fund	Lighting Landscape District Fund
Revenues			
Investment Earnings	0	152	438
Intergovernmental	148,773	0	0
Property Taxes	0	0	0
Other Taxes	0	0	0
Impact Fees	0	0	200,267
Licenses And Permits	0	10,717	0
Service Charges And Miscellaneous	0	0	0
Total Revenues	<u>148,773</u>	<u>10,869</u>	<u>200,705</u>
Expenditures			
General Government	0	6,919	0
Public Safety	0	0	0
Public Works	2,877	0	0
Community Development	0	0	276,485
Culture And Leisure	0	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	<u>161,908</u>	<u>0</u>	<u>2,000</u>
Total Expenditures	<u>164,785</u>	<u>6,919</u>	<u>278,485</u>
Excess(Deficiency) Of Revenues Over Expenditures	(<u>16,012</u>)	<u>3,950</u>	(<u>77,780</u>)
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Extraordinary Gain/(Loss) on RDA Disposal	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	(16,012)	3,950	(77,780)
Fund Balance - Beginning	<u>14,077</u>	<u>10,345</u>	<u>114,764</u>
Fund Balance - Ending	<u>(1,935)</u>	<u>14,295</u>	<u>36,984</u>

Special Revenue

Contingency Fund	Capital Repair Replacement Fund	7/1/2011 thru 1/31/2012		Total Non-Major Special Revenue Funds	
		RDA General Fund	RDA Housing Fund	2012	2011
1,756	3,198	8,513	0	30,375	13,299
0	0	0	0	1,069,954	1,108,345
0	0	286,886	71,721	358,607	0
0	0	0	0	0	257,682
0	0	0	0	210,539	524,714
0	0	0	0	10,717	10,872
0	0	0	0	0	219,732
<u>1,756</u>	<u>3,198</u>	<u>295,399</u>	<u>71,721</u>	<u>1,680,192</u>	<u>2,134,644</u>
0	17,796	0	0	24,715	9,665
0	38,645	0	0	43,467	10,485
0	0	0	0	181,304	59,826
0	0	91,037	30,941	398,463	214,182
0	3,500	0	0	3,500	2,149
0	31,701	100,000	25,000	156,701	24,382
0	2,618	54,007	13,502	70,127	3,835
0	88,759	0	0	530,846	990,269
0	183,019	245,044	69,443	1,409,123	1,314,793
<u>1,756</u>	<u>(179,821)</u>	<u>50,355</u>	<u>2,278</u>	<u>271,069</u>	<u>819,851</u>
0	194,331	0	0	394,366	40,000
0	0	(150,000)	0	(596,965)	(472,051)
0	194,331	(150,000)	0	(202,599)	(432,051)
0	0	137,522	(819,022)	(681,500)	0
1,756	14,510	37,877	(816,744)	(613,030)	387,800
200,666	449,081	(37,877)	816,744	2,775,715	1,602,040
<u>202,422</u>	<u>463,591</u>	<u>0</u>	<u>0</u>	<u>2,162,685</u>	<u>1,989,840</u>

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

To The City Council
City of Newman
State of California

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Newman, State of California, as of and for the year ended June 30, 2012 which collectively comprise the City of Newman, State of California's basic financial statements and have issued our report thereon dated November 19, 2012. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newman, State of California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

CLENDENIN BIRD & COMPANY, P.C.

CLENDENIN BIRD & COMPANY, P.C.

Modesto, California
November 19, 2012



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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, 2012, and have issued our report thereon dated November 19, 2012. 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, P.C.

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Modesto, California
November 19, 2012