

CITY OF NEWMAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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, 2015, 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 2014 financial statements and, in our report dated September 30, 2014, 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, 2015, 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 September 30, 2015 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 13 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
September 30, 2015

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

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, 2015. Please read this document in conjunction with the accompanying Basic Financial Statements.

The City of Newman (the City) General Fund revenues increased over the previous year. Property tax revenues are up over the prior year. Increases in assessed property values were greater than declines in Prior Year (delinquent) Property Taxes and Supplemental Property Taxes. Revenues from current unsecured property taxes increased slightly. Increases in Sales Tax, Other Tax and Franchise Fees, Intergovernmental, and Investment Earnings, were greater than declines in Fines and Forfeitures, and Services Charges and Miscellaneous; with the largest increases coming from Sales Tax Revenues and Franchise Fees (Franchise Fee increases were due to a reclassification of Refuse Revenues).

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. At the printing of this report the City has received its 'Finding of Completion' and has filed its 'Long Range Property Management Plan' and has transferred/sold all former RDA properties with the exception of one. The City's financial highlights are presented below:

FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2015 include the following:

Entity-wide:

- The City's total net assets were \$39,964,749 as of June 30, 2015. Of this total, \$24,974,078 was Governmental assets and \$14,990,671 was Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$2,643,303 and general revenues and transfers of \$2,413,568 for a total of \$5,056,871.
- Entity-wide Governmental expenses were \$4,930,282.
- Entity-wide Business-type program revenues and interest revenue were \$4,245,586 while Business-type expenses and transfers were \$3,038,422.

Fund Level:

- Governmental Fund balances decreased \$230,150 in fiscal year 2015
- Governmental Fund revenues increased \$135,510 in fiscal year 2015.
- Governmental Fund expenditures increased \$398,395 in fiscal year 2015.

General Fund:

- General Fund revenues of \$3,770,643 were \$159,582 more than the prior year.
- General Fund expenditures of \$4,170,298 represent an increase of \$258,510 over the prior year.
- General Fund balance of \$2,671,669 as of June 30, 2015, is down \$152,867 from the fiscal year 2014's fund balance of \$2,824,536.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into two parts:

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

The Basic Financial Statements

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

The Entity-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Position 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 Position 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 Position and the Statement of Activities present information about the following:

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

- 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).

- 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.

Also, the City of Newman implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$3,704,037. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Newman's management.

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 what qualifies as a Major Fund, 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.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

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 Position and Statement of Activities.

Governmental Activities

Table 1
Governmental Net Position at June 30, 2015

	Governmental Activities 2015	Governmental Activities 2014
Cash and investments	\$ 10,754,141	\$ 10,879,630
Other assets	4,645,711	4,695,092
Capital assets	<u>14,354,529</u>	<u>14,082,817</u>
Total assets	<u>29,754,381</u>	<u>29,657,539</u>
Long-term debt outstanding	295,097	233,713
Other liabilities	<u>4,316,820</u>	<u>1,897,955</u>
Total liabilities	<u>4,611,917</u>	<u>2,131,668</u>
Net position:		
Invested in capital assets, net of debt	14,059,432	13,849,104
Restricted	10,849,855	10,912,934
Unrestricted	<u>64,791</u>	<u>2,763,833</u>
Total net position	<u>\$ 24,974,078</u>	<u>\$ 27,525,871</u>

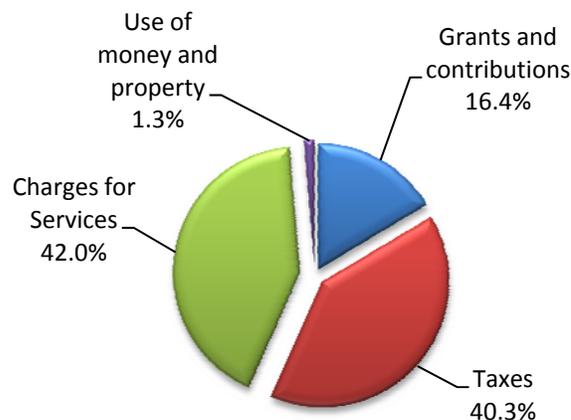
The City's governmental net position amounted to \$24,974,078 as of June 30, 2015; a decrease of \$2,551,793 from 2014. This increase is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 1. The City's net assets as of June 30, 2015 comprised the following:

- Cash and investments comprised \$10,754,141 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 \$498,831 of current receivables and loans receivable for \$4,143,653.
- Capital assets of \$14,354,529, 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 \$1,839,892.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

- Accrued compensated absence liabilities payable to employees of \$120,573, as detailed in Note III-H to the financial statements.
- Long-term debt of \$295,097 of which \$261,122 is due in future years and \$33,975 is due within one year.
- Net assets invested in capital assets, net of related debt, of \$14,059,432, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net assets totaling \$10,849,855, 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 \$64,791 of unrestricted net assets as of June 30, 2015. This is a significant reduction in unrestricted net assets over the prior year. This is due to GASB 68 which was implemented this year by all government agencies; which requires reporting our Net Pension Liability which is estimated at \$2,356,355.

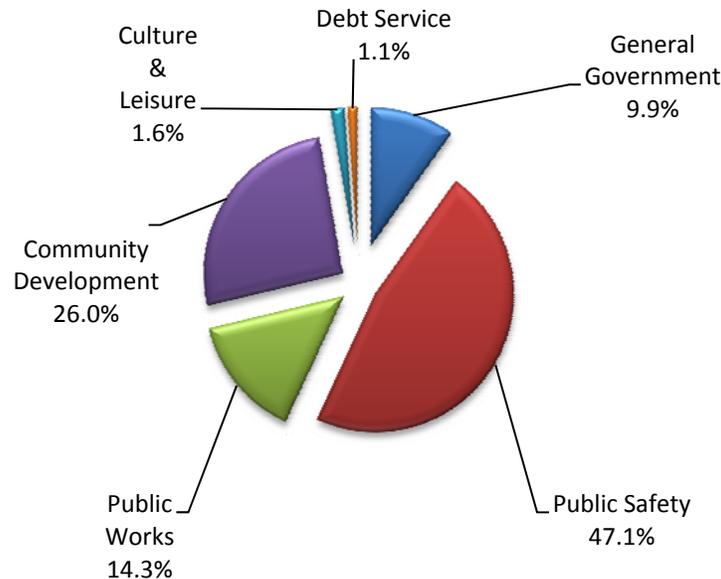
Sources of Revenues



City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

The Sources of Revenue Chart above shows that during fiscal year 2015 40.3% (\$2,036,322) of the City's governmental activities revenue came from Taxes while 16.4% (\$828,611) came from Grants and Contributions, 42.0% (\$2,124,552) came from Charges for Services, and the remaining 1.3% (\$67,386) came from the Use of Money and Property (investments).

Functional Expenses



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 9.9% (\$443,544) of total government expenses, Community Development is 26.0% (\$1,170,880), Public Safety is 47.1% (\$2,117,759), Public Works is 14.3% (\$645,433), Culture & Leisure is 1.6% (\$73,054), and Debt Service is 1.1% (\$50,048).

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 Position summarized below.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

Table 2
Changes in Governmental Net Position

	<u>Governmental Activities 2015</u>
<u>Expenses</u>	
General government	\$ 454,027
Public Safety	2,242,762
Public Works	902,041
Community Development	1,222,141
Culture and Leisure	95,654
Interest on long term debt	<u>13,657</u>
Total expenses	<u>\$ 4,930,282</u>
 <u>Revenues</u>	
Program Revenues:	
Charges for services	\$ 2,533,682
Operating grants and contributions	<u>109,621</u>
Total program revenues	<u>2,643,303</u>
General revenues:	
Taxes	2,346,182
Use of money and property	67,386
Other	<u>0</u>
Total general revenues	<u>2,413,568</u>
Total revenues	<u>5,056,871</u>
 <u>Change in net position</u>	 <u>\$ 126,589</u>

As Table 2, Changes in Governmental Net Position above shows, \$2,643,303 (52.3%) of the City's fiscal year 2015 Governmental Revenue, came from Program Revenues and \$2,413,568 (47.7%), came from General Revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$2,533,682, which include permit revenues, fees and charges used to fund expenses incurred in providing services and \$109,621 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.

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

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

Table 3
Governmental Activities

	Net (Expense) Revenue From Services 2015
General government	\$ 936,336
Public Safety	(1,984,843)
Public Works	(300,852)
Community Development	(897,774)
Culture and Leisure	(26,189)
Interest on Long-Term Debt	(13,657)
Totals	<u>\$ (2,286,979)</u>

Business-type Activities

The Statement of Net Position 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 Position

	Business-Type 2015	Business-Type 2014
Cash and investments	\$ 4,618,440	\$ 6,861,262
Other assets	504,036	461,075
Capital assets	<u>12,320,234</u>	<u>9,184,466</u>
Total assets	<u>17,442,710</u>	<u>16,506,803</u>
Long-term debt outstanding	1,153,381	1,382,196
Other liabilities	<u>1,234,176</u>	<u>315,445</u>
Total liabilities	<u>2,387,557</u>	<u>1,697,641</u>
Net position:		
Invested in capital assets, net of debt	11,166,853	7,802,270
Restricted	0	0
Unrestricted	<u>3,823,818</u>	<u>7,006,892</u>
Total net position	<u>\$ 14,990,671</u>	<u>\$ 14,809,162</u>

The net position of business-type activities increased \$181,509 in fiscal year 2015.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

Table 5
Changes in Business-Type Net Position

	Net (Expense) Revenue From Services 2015	Net (Expense) Revenue From Services 2014
Water Fund	\$ 157,968	\$ 116,632
Sewer Fund	<u>1,019,378</u>	<u>1,129,957</u>
Totals	<u>\$ 1,177,346</u>	<u>\$ 1,246,589</u>

Analyses of Major Funds

Governmental Funds

General Fund

General Fund revenues increased \$159,582 this fiscal year. Increases in Property Taxes Sales Taxes, Franchise Fees, Intergovernmental and Investments greatly offset decreases in Fines and Forfeitures and Service Charges. Actual revenues exceeded original budgeted amounts by \$300,687. Revenues from Property Taxes increased \$50,667 as assessed valuations increased due to an increase in real estate values. Sales Tax Revenues increased \$77,946 while Charges for Services were down \$281,512 due to a reclassification of a portion of Refuse Revenues as Franchise Fees and Street Fees; declines in Refunds and Reimbursements and Salary Reimbursements were experienced as well.

General Fund expenditures were \$4,170,298, an increase of \$258,510 from the prior year. Expenditures were \$339,253 less than the final budget, primarily related to cost reductions associated with Public Safety and Public Works.

As of June 30, 2015, the General Fund's ending fund balance totaled \$2,671,669 a decrease of \$152,867 from the prior year. 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 \$2,671,669.

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. Valley Manor Housing represents the largest of these receivable. Their current outstanding balance is \$975,000.

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

Public Facility Improvement Fund

This fund accounts for the improvement of public facilities funded by developer fees. In fiscal year 2015, the fund received \$111,058 in developer fees. Developer fee revenue decreased \$58,744 over the prior year.

The fund's fiscal year end fund balance of \$4,127,817 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 \$18,065 to a total of \$1,326,908 in fiscal year 2015 due to an increase in home occupation and a water rate increase following a water rate study completed by Stantec Consulting Services in 2012. Operating Expenses decreased \$15,398 to \$1,159,721. There was a resulting operating gain of \$167,187. The fund's net assets increased \$165,535. With the implementation of GASB 68 this year, a Prior Period Adjustment of \$444,476 was created (See Note to Financials IV-C. These activities brought the fund to a new total of \$2,307,957. In April of 2012, the 1982 Water Bonds were refunded with a simple loan. No funds are restricted for debt service. The unrestricted fund balance is \$827,257.

Sewer Fund

Net assets of the Sewer Fund increased \$460,450 in fiscal year 2015 to a total of \$12,682,714. The change in net position was an increase of 1,041,629 which was reduced by a Prior Period Adjustment due to the implementation of GASB 68 which reduced the Total Net Position by \$581,179.

As of June 30, 2015, the fund's net position was \$12,682,714, of which \$9,686,153 was invested in capital assets, net of related debt. No funds are restricted for debt service. The unrestricted fund balance is \$2,996,561.

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 2015, 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 2015 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 6 below:

City of Newman
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

Table 6
Capital Assets at Year-end

	Balance at June 30, 2015	Balance at June 30, 2014
<u>Governmental Activities</u>		
Land	\$ 3,363,088	\$ 3,363,088
Streets and Roads	3,506,657	3,506,657
Buildings	9,663,211	9,663,211
Construction in Progress	1,051,969	314,576
Equipment	3,099,780	3,122,422
Accumulated depreciation	<u>(6,330,176)</u>	<u>(5,887,137)</u>
Governmental activity capital assets, net	<u>\$ 14,354,529</u>	<u>\$ 14,082,817</u>
<u>Business-type Activities</u>		
Land	\$ 8,066,219	\$ 4,760,423
Construction in Progress	176,089	148,090
Buildings	1,009,511	1,009,511
Plant and Equipment	8,504,767	8,419,648
Accumulated depreciation	<u>(5,436,352)</u>	<u>(5,153,206)</u>
Business-type activity capital assets, net	<u>\$ 12,320,234</u>	<u>\$ 9,184,466</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 I D 6 to the financial statements.

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2015. The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note III G to the financial statements.

City of Newman
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2015

As of June 30, 2015, the City’s debt comprised:

Table 7
Outstanding Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Governmental Activity Debt:</u>		
<u>Other Long Term Obligations:</u>		
City Hall Purchase, 6%, due July 2017 (also Business Type Activity) \$	202,522	\$ 209,791
Sun Ridge System 911 Software Purchase	77,907	0
HP Computer Lease, 5.26%, due January 2016	0	4728
Accounting Software, 5%, due May 2017 (also Business Type Activity)	<u>13,107</u>	<u>19,194</u>
Total Governmental Activity Debt	<u>\$ 293,536</u>	<u>\$ 233,713</u>
 <u>Business-type Activity Debt:</u>		
<u>Other Long Term Obligations:</u>		
2011 Refunding of Sewer - CoPs, 3.9%, due 5/1/2017	341,300	502,800
2012 Refunding of Water – Bonds 3.375%, due 8/1/2022	380,823	421,425
City Hall Purchase, 6%, due July 2017 (also Governmental Activity)	405,045	419,583
Accounting Software, 5%, due May 2017 (also Governmental Activity)	<u>26,214</u>	<u>38,388</u>
Total Other Long Term Obligations	1,153,382	1,382,196
Total Business-type Activity Debt:	<u>\$ 1,153,382</u>	<u>\$ 1,382,196</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 POSITION
JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014

	Primary Government		RESTATED	
	Governmental Activities	Proprietary Activities	Totals 2015	2014
ASSETS				
Cash And Investments	10,754,141	4,618,440	15,372,581	17,740,892
Accounts Receivable	498,831	504,036	1,002,867	993,122
Loans Receivable	4,143,653	0	4,143,653	4,163,045
Prepaid Expenses	3,227	0	3,227	0
Capital Assets (Net Of Accumulated Depreciation):				
Land	3,363,088	8,066,219	11,429,307	8,123,511
Construction In Progress	1,051,969	176,089	1,228,058	462,666
Buildings And Improvements	6,910,485	797,255	7,707,740	8,046,982
Equipment And Vehicles	813,672	328,441	1,142,113	1,156,538
Infrastructure	2,215,315	2,952,230	5,167,545	5,477,586
Total Assets	<u>29,754,381</u>	<u>17,442,710</u>	<u>47,197,091</u>	<u>46,164,342</u>
DEFERRED OUTFLOWS OF RESOURCES				
Current Pension Plan Contribution	<u>417,346</u>	<u>159,818</u>	<u>577,164</u>	<u>540,029</u>
LIABILITIES				
Accounts Payable And Other				
Current Liabilities	1,839,892	277,927	2,117,819	2,048,309
Compensated Absences	120,573	53,910	174,483	165,091
Net Pension Liability	2,356,355	902,339	3,258,694	4,244,067
Long-Term Liabilities:				
Due Within One Year	33,975	236,312	270,287	246,898
Due In More Than One Year	<u>261,122</u>	<u>917,069</u>	<u>1,178,191</u>	<u>1,369,011</u>
Total Liabilities	<u>4,611,917</u>	<u>2,387,557</u>	<u>6,999,474</u>	<u>8,073,376</u>
DEFERRED INFLOWS OF RESOURCES				
Deferral Of Pension Expenses	<u>585,732</u>	<u>224,300</u>	<u>810,032</u>	<u>0</u>
NET POSITION				
Invested In Capital Assets				
Net Of Related Debt	14,059,432	11,166,853	25,226,285	21,651,374
Restricted For:				
Capital Projects	5,617,949	0	5,617,949	5,785,884
Community Development Projects	5,231,906	0	5,231,906	5,127,050
Debt Service	0	0	0	0
Unrestricted	<u>64,791</u>	<u>3,823,818</u>	<u>3,888,609</u>	<u>6,066,688</u>
Total Net Position	<u>24,974,078</u>	<u>14,990,671</u>	<u>39,964,749</u>	<u>38,630,996</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	454,027
Public Safety	2,242,762
Public Works	902,041
Community Development	1,222,141
Culture And Leisure	95,654
Interest on Long-Term Debt	<u>13,657</u>
Total Governmental Activities	<u>4,930,282</u>
Business-Type Activities	
Water Services	1,186,608
Sewer Services	<u>1,851,814</u>
Total Business-Type Activities	<u>3,038,422</u>
Total Primary Government	<u><u>7,968,704</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		RESTATED	
			Governmental Activities	Proprietary Activities	Total	
					2015	2014
1,390,363	0	0	936,336	0	936,336	1,260,008
151,689	106,230	0	(1,984,843)	0	(1,984,843)	(1,859,419)
597,798	0	3,391	(300,852)	0	(300,852)	(559,805)
324,367	0	0	(897,774)	0	(897,774)	(891,830)
69,465	0	0	(26,189)	0	(26,189)	(61,287)
0	0	0	(13,657)	0	(13,657)	(14,874)
<u>2,533,682</u>	<u>106,230</u>	<u>3,391</u>	<u>(2,286,979)</u>	<u>0</u>	<u>(2,286,979)</u>	<u>(2,127,207)</u>
1,344,576	0	0	0	157,968	157,968	116,632
<u>2,871,192</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,019,378</u>	<u>1,019,378</u>	<u>1,129,957</u>
<u>4,215,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,177,346</u>	<u>1,177,346</u>	<u>1,246,589</u>
<u>6,749,450</u>	<u>106,230</u>	<u>3,391</u>	<u>(2,286,979)</u>	<u>1,177,346</u>	<u>(1,109,633)</u>	<u>(880,618)</u>
General Revenues:						
Taxes:						
Property Tax			592,575	0	592,575	541,908
Sales Tax			505,617	0	505,617	427,671
Motor Vehicle Tax			649,295	0	649,295	565,414
Franchise Tax			262,307	0	262,307	120,062
Other Taxes			336,388	0	336,388	357,194
Investment Earnings			67,386	29,818	97,204	114,213
Transfers			0	0	0	0
Total General Revenues And Transfers			<u>2,413,568</u>	<u>29,818</u>	<u>2,443,386</u>	<u>2,126,462</u>
Change In Net Position			126,589	1,207,164	1,333,753	1,245,844
Net Position - Beginning, previously reported			27,525,871	14,809,162	42,335,033	39,201,871
Prior Period - GASB 68			(2,678,382)	(1,025,655)	0	(3,704,037)
Net Position - Beginning, restated			<u>24,847,489</u>	<u>13,783,507</u>	<u>38,630,996</u>	<u>35,497,834</u>
Net increase to net position for transferred assets			0	0	0	1,887,318
Net Position - Ending			<u>24,974,078</u>	<u>14,990,671</u>	<u>39,964,749</u>	<u>38,630,996</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	<u>General</u>	<u>CDBG</u>
Assets		
Cash And Investments	3,260,311	817,836
Cash with Fiscal Agent	0	0
Accounts Receivable	263,789	0
Loans Receivable	0	4,055,247
Prepaid Expenses	3,227	0
Total Assets	<u>3,527,327</u>	<u>4,873,083</u>
Liabilities		
Accounts Payable	252,409	0
Compensated Absences	0	0
Other Liabilities	603,249	0
Total Liabilities	<u>855,658</u>	<u>0</u>
Fund Balances		
Nonspendable	0	0
Restricted	0	4,873,083
Committed	0	0
Assigned	0	0
Unassigned	2,671,669	0
Total Fund Balances	<u>2,671,669</u>	<u>4,873,083</u>
Total Liabilities And Fund Balances	<u>3,527,327</u>	<u>4,873,083</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Public Facility Improvement Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2015	2014
4,129,595	180,531	2,365,868	10,754,141	10,879,630
0	0	0	0	0
0	0	235,042	498,831	532,047
0	0	88,406	4,143,653	4,163,045
0	0	0	3,227	0
<u>4,129,595</u>	<u>180,531</u>	<u>2,689,316</u>	<u>15,399,852</u>	<u>15,574,722</u>
1,778	0	106,995	361,182	365,096
0	0	1,026	1,026	1,058
0	763,048	112,413	1,478,710	1,419,484
<u>1,778</u>	<u>763,048</u>	<u>220,434</u>	<u>1,840,918</u>	<u>1,785,638</u>
0	0	0	0	0
0	0	522,959	5,396,042	5,202,731
4,127,817	0	1,416,279	5,544,096	5,444,775
0	0	493,385	493,385	911,788
0	(582,517)	36,259	2,125,411	2,229,790
<u>4,127,817</u>	<u>(582,517)</u>	<u>2,468,882</u>	<u>13,558,934</u>	<u>13,789,084</u>
<u>4,129,595</u>	<u>180,531</u>	<u>2,689,316</u>	<u>15,399,852</u>	<u>15,574,722</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Total fund balances - governmental funds 13,558,934

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

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

Land	3,363,088	
Construction In Progress	1,051,969	
Infrastructure net of \$1,291,343 accumulated depreciation	2,215,315	
Buildings and Improvements, net of \$2,752,727 accumulated depreciation	6,910,485	
Equipment and Vehicles, net of \$2,286,106 accumulated depreciation	<u>813,672</u>	
Total capital assets		14,354,529

Deferred Outflow of Resources 417,346

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 position.

Notes payable	(295,098)	
Compensated absences	(119,547)	
Net Pension Liability	(2,356,355)	
Deferred Inflows of Resources	<u>(585,732)</u>	
Total long-term liabilities		(3,356,732)

Total Net Position - governmental activities 24,974,078

**CITY OF NEWMAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	<u>General</u>	<u>CDBG</u>
Revenues		
Property Tax	592,575	0
Sales Tax	505,617	0
Other Tax And Franchises	938,130	0
Licenses And Permits	167,405	0
Fines And Forfeitures	62,326	0
Investment Earnings	20,682	1,578
Intergovernmental	69,139	0
Impact Fees	0	0
Service Charges And Miscellaneous	1,414,769	0
Total Revenues	<u>3,770,643</u>	<u>1,578</u>
Expenditures		
Current		
General Government	415,768	0
Public Safety	2,107,430	0
Public Works	599,600	0
Community Development	949,704	88
Culture And Leisure	73,054	0
Debt Service		
Principal	23,035	0
Interest & Other Charges	307	0
Capital Outlay	1,400	0
Total Expenditures	<u>4,170,298</u>	<u>88</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(399,655)</u>	<u>1,490</u>
Other Financing Sources (Uses)		
Operating Transfers In	358,980	0
Operating Transfers Out	<u>(112,192)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>246,788</u>	<u>0</u>
Net Change In Fund Balances	<u>(152,867)</u>	<u>1,490</u>
Fund Balance - Beginning	<u>2,824,536</u>	<u>4,871,593</u>
Fund Balance- Ending	<u><u>2,671,669</u></u>	<u><u>4,873,083</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Public Facility Improvement Fund	Storm Drain Fund	Other Funds	Total Governmental Funds	
			2015	2014
0	0	0	592,575	541,908
0	0	0	505,617	427,671
0	0	0	938,130	712,475
0	0	0	167,405	80,074
0	0	0	62,326	75,787
25,884	1,105	18,137	67,386	72,542
0	0	759,472	828,611	976,904
111,058	8,080	347,357	466,495	325,112
0	952	12,605	1,428,326	1,708,888
<u>136,942</u>	<u>10,137</u>	<u>1,137,571</u>	<u>5,056,871</u>	<u>4,921,361</u>
0	0	27,776	443,544	375,197
0	0	10,329	2,117,759	2,005,263
19,355	10,582	15,896	645,433	720,871
0	0	221,088	1,170,880	1,142,423
0	0	0	73,054	82,491
7,269	0	6,087	36,391	19,983
12,390	0	960	13,657	14,874
0	0	784,903	786,303	527,524
<u>39,014</u>	<u>10,582</u>	<u>1,067,039</u>	<u>5,287,021</u>	<u>4,888,626</u>
<u>97,928</u>	<u>(445)</u>	<u>70,532</u>	<u>(230,150)</u>	<u>32,735</u>
0	0	312,778	671,758	572,829
<u>(149,298)</u>	<u>0</u>	<u>(410,268)</u>	<u>(671,758)</u>	<u>(572,829)</u>
<u>(149,298)</u>	<u>0</u>	<u>(97,490)</u>	<u>0</u>	<u>0</u>
<u>(51,370)</u>	<u>(445)</u>	<u>(26,958)</u>	<u>(230,150)</u>	<u>32,735</u>
<u>4,179,187</u>	<u>(582,072)</u>	<u>2,495,840</u>	<u>13,789,084</u>	<u>13,756,349</u>
<u>4,127,817</u>	<u>(582,517)</u>	<u>2,468,882</u>	<u>13,558,934</u>	<u>13,789,084</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, 2015**

Net change in fund balances - total governmental funds (230,150)

The changes in net position 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 outlay (\$786, 303) exceed depreciation (\$612,362) in the current period. 173,941

HP Lease Non-Capitalized Assets 4,728

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. 31,663

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase net position. (5)

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. (7,229)

The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 153,641

Changes in net position of governmental activities 126,589

**CITY OF NEWMAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	2015				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2014 Actual
	Original	Final			
REVENUES					
Property Tax	524,000	611,000	592,575	(18,425)	541,908
Sales Tax	400,000	490,000	505,617	15,617	427,671
Other Tax And Franchise Fees	707,000	917,000	938,130	21,130	712,475
Licenses And Permits	127,750	163,750	167,405	3,655	80,074
Intergovernmental	55,000	68,000	69,139	1,139	58,808
Fines And Forfeitures	76,500	84,500	62,326	(22,174)	75,787
Investment Earnings	25,000	25,000	20,682	(4,318)	18,057
Service Charges And Miscellaneous	<u>1,554,706</u>	<u>1,476,706</u>	<u>1,414,769</u>	<u>(61,937)</u>	<u>1,696,281</u>
Total Revenues	<u>3,469,956</u>	<u>3,835,956</u>	<u>3,770,643</u>	<u>(65,313)</u>	<u>3,611,061</u>
EXPENDITURES					
General Government	429,825	460,125	415,768	(44,357)	366,301
Public Safety	2,245,660	2,348,836	2,107,430	(241,406)	1,978,506
Public Works	642,937	687,374	599,600	(87,774)	603,625
Community Development	925,680	933,680	949,704	16,024	886,981
Recreation And Leisure	78,136	78,136	73,054	(5,082)	71,398
Debt Service					
Principal	0	0	23,035	23,035	4,492
Interest & Other Charges	0	0	307	307	485
Capital Outlay	<u>1,400</u>	<u>1,400</u>	<u>1,400</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>4,323,638</u>	<u>4,509,551</u>	<u>4,170,298</u>	<u>(339,253)</u>	<u>3,911,788</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(853,682)</u>	<u>(673,595)</u>	<u>(399,655)</u>	<u>273,940</u>	<u>(300,727)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	415,449	415,449	358,980	(56,469)	360,268
Transfers Out	<u>0</u>	<u>(11,198)</u>	<u>(112,192)</u>	<u>(100,994)</u>	<u>(180,000)</u>
Total Other Financing Sources And (Uses)	<u>415,449</u>	<u>404,251</u>	<u>246,788</u>	<u>(157,463)</u>	<u>180,268</u>
Net Change In Fund Balance	<u>(438,233)</u>	<u>(269,344)</u>	<u>(152,867)</u>	<u>116,477</u>	<u>(120,459)</u>
Fund Balance - Beginning	<u>2,824,536</u>	<u>2,824,536</u>	<u>2,824,536</u>	<u>0</u>	<u>2,944,995</u>
Fund Balance - Ending	<u>2,386,303</u>	<u>2,555,192</u>	<u>2,671,669</u>	<u>116,477</u>	<u>2,824,536</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	2015				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2014 Actual
	Original	Final			
General Government					
City Council	41,965	71,965	59,085	(12,880)	27,982
City Manager	137,594	137,594	128,576	(9,018)	122,222
City Clerk	84,369	84,669	73,367	(11,302)	65,278
Finance And Treasurer	165,897	165,897	154,740	(11,157)	150,819
Total General Government	<u>429,825</u>	<u>460,125</u>	<u>415,768</u>	<u>(44,357)</u>	<u>366,301</u>
Public Safety					
Police	2,147,519	2,227,060	2,017,323	(209,737)	1,903,202
Fire	98,141	121,776	113,449	(8,327)	80,281
Total Public Safety	<u>2,245,660</u>	<u>2,348,836</u>	<u>2,130,772</u>	<u>(218,064)</u>	<u>1,983,483</u>
Public Works					
Government Buildings	86,429	109,064	97,581	(11,483)	82,178
Government Auxiliary	73,597	98,597	107,711	9,114	145,092
Street Maintenance	300,545	301,545	245,647	(55,898)	243,418
Parks	182,366	178,168	148,661	(29,507)	132,937
Total Public Works	<u>642,937</u>	<u>687,374</u>	<u>599,600</u>	<u>(87,774)</u>	<u>603,625</u>
Community Development					
Planning	83,680	83,680	77,803	(5,877)	71,722
Building Regulation	79,650	79,650	107,949	28,299	49,825
Refuse Disposal	728,000	728,000	739,363	11,363	726,489
Corporation Yard	5,750	8,750	7,702	(1,048)	5,134
Engineering	30,000	35,000	18,287	(16,713)	33,811
Total Community Development	<u>927,080</u>	<u>935,080</u>	<u>951,104</u>	<u>16,024</u>	<u>886,981</u>
Recreation And Leisure					
Recreation	78,136	78,136	73,054	(5,082)	71,398
Total Culture And Leisure	<u>78,136</u>	<u>78,136</u>	<u>73,054</u>	<u>(5,082)</u>	<u>71,398</u>
Total General Fund	<u>4,323,638</u>	<u>4,509,551</u>	<u>4,170,298</u>	<u>(339,253)</u>	<u>3,911,788</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
CDBG SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	2015		Actual	Variance With Final Budget Over (Under)	2014 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Interest Income	1,360	1,360	1,578	218	16,592
Program Income	2,000	2,000	0	(2,000)	0
Intergovernmental	90,000	90,000	0	(90,000)	29,089
Total Revenues	93,360	93,360	1,578	(91,782)	45,681
EXPENDITURES					
Supplies And Services	87,000	87,000	88	(86,912)	752
Total Expenditures	87,000	87,000	88	(86,912)	752
Excess (Deficiency) Of Revenues Over Expenditures	6,360	6,360	1,490	(4,870)	44,929
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	(11,269)
Total Other Financing Sources And (Uses)	0	0	0	0	(11,269)
Net Change In Fund Balance	6,360	6,360	1,490	(4,870)	33,660
Fund Balance - Beginning	4,871,593	4,871,593	4,871,593	0	4,837,933
Fund Balance - Ending	4,877,953	4,877,953	4,873,083	(4,870)	4,871,593

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	2015				
	Budgeted Amounts		Actual	Variance	2014 Actual
	Original	Final		With Final Budget Over (Under)	
REVENUES					
Interest Income	23,000	23,000	25,884	2,884	21,425
Impact Fees	91,981	91,981	111,058	19,077	52,314
Total Revenues	<u>114,981</u>	<u>114,981</u>	<u>136,942</u>	<u>21,961</u>	<u>73,739</u>
EXPENDITURES					
Supplies And Services	116,367	116,367	19,355	(97,012)	69,702
Capital Outlay	0	0	0	0	0
Debt Service					
Principal	7,223	7,223	7,269	46	6,847
Interest & Other Charges	12,426	12,426	12,390	(36)	12,812
Total Expenditures	<u>136,016</u>	<u>136,016</u>	<u>39,014</u>	<u>(97,002)</u>	<u>89,361</u>
Excess (Deficiency) Of Revenues Over Expenditures	(21,035)	(21,035)	97,928	118,963	(15,622)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers Out	(108,528)	(108,528)	(149,298)	(40,770)	(19,746)
Total Other Financing Sources And (Uses)	<u>(108,528)</u>	<u>(108,528)</u>	<u>(149,298)</u>	<u>(40,770)</u>	<u>(19,746)</u>
Net Change In Fund Balance	(129,563)	(129,563)	(51,370)	78,193	(35,368)
Fund Balance - Beginning	4,179,187	4,179,187	4,179,187	0	4,214,555
Fund Balance - Ending	<u>4,049,624</u>	<u>4,049,624</u>	<u>4,127,817</u>	<u>78,193</u>	<u>4,179,187</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	2015				
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	2014 Actual
	Original	Final			
REVENUES					
Interest Income	1,000	1,000	1,105	105	948
Impact Fees	21,043	21,043	8,080	(12,963)	9,288
Service Charges And Miscellaneous	<u>0</u>	<u>0</u>	<u>952</u>	<u>952</u>	<u>0</u>
Total Revenues	<u>22,043</u>	<u>22,043</u>	<u>10,137</u>	<u>(11,906)</u>	<u>10,236</u>
EXPENDITURES					
Supplies And Services	89,000	89,000	10,582	(78,418)	15,933
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>	<u>4,000</u>
Total Expenditures	<u>94,000</u>	<u>94,000</u>	<u>10,582</u>	<u>(83,418)</u>	<u>19,933</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(71,957)</u>	<u>(71,957)</u>	<u>(445)</u>	<u>71,512</u>	<u>(9,697)</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	<u>(71,957)</u>	<u>(71,957)</u>	<u>(445)</u>	<u>71,512</u>	<u>(9,697)</u>
Fund Balance - Beginning	<u>(582,072)</u>	<u>(582,072)</u>	<u>(582,072)</u>	<u>0</u>	<u>(572,375)</u>
Fund Balance - Ending	<u>(654,029)</u>	<u>(654,029)</u>	<u>(582,517)</u>	<u>71,512</u>	<u>(582,072)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

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

JUNE 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014

Business-Type Activities-Enterprise Funds				
	Sewer Fund	Water Fund	RESTATED	
			Totals 2015	2014
Assets				
Cash And Investments	3,272,007	1,346,433	4,618,440	6,861,262
Accounts Receivable	348,641	155,395	504,036	461,075
Fixed Assets	14,131,257	3,449,240	17,580,497	14,189,582
Accumulated Depreciation	(3,998,040)	(1,438,312)	(5,436,352)	(5,153,206)
Work In Progress	109,865	66,224	176,089	148,090
Total Assets	<u>13,863,730</u>	<u>3,578,980</u>	<u>17,442,710</u>	<u>16,506,803</u>
Deferred Outflows of Resources				
Current Pension Contributions	<u>90,560</u>	<u>69,258</u>	<u>159,818</u>	<u>149,535</u>
Liabilities				
Accounts Payable	39,569	27,591	67,160	50,439
Customer Deposits	0	110,825	110,825	112,300
Compensated Absences	36,677	17,233	53,910	51,716
Other Liabilities	0	99,942	99,942	100,990
Net Pension Liability	511,303	391,036	902,339	1,175,190
Loan Payable	556,929	215,629	772,558	960,771
Bond Payable	<u>0</u>	<u>380,823</u>	<u>380,823</u>	<u>421,425</u>
Total Liabilities	<u>1,144,478</u>	<u>1,243,079</u>	<u>2,387,557</u>	<u>2,872,831</u>
Deferred Inflows of Resources				
Deferral of Pension Expenses	<u>127,098</u>	<u>97,202</u>	<u>224,300</u>	<u>0</u>
Net Position				
Invested In Capital Assets, Net Of Related Debt	9,686,153	1,480,700	11,166,853	7,802,270
Restricted For Debt Service	0	0	0	0
Unrestricted	<u>2,996,561</u>	<u>827,257</u>	<u>3,823,818</u>	<u>5,981,237</u>
Total Net Position	<u>12,682,714</u>	<u>2,307,957</u>	<u>14,990,671</u>	<u>13,783,507</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	RESTATED	
			Totals 2015	2014
Operating Revenues				
Service Charges	2,403,663	1,323,370	3,727,033	3,851,156
Miscellaneous Revenues	308,250	3,538	311,788	209,489
Total Operating Revenues	<u>2,711,913</u>	<u>1,326,908</u>	<u>4,038,821</u>	<u>4,060,645</u>
Operating Expenses				
Employee Services	620,366	475,525	1,095,891	969,087
Supplies And Services	1,014,170	562,504	1,576,674	1,590,227
Depreciation	184,319	121,692	306,011	294,065
Total Operating Expenses	<u>1,818,855</u>	<u>1,159,721</u>	<u>2,978,576</u>	<u>2,853,379</u>
Operating Income (Loss)	<u>893,058</u>	<u>167,187</u>	<u>1,060,245</u>	<u>1,207,266</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	22,251	7,567	29,818	41,671
Connection Fees	13,980	8,280	22,260	11,833
Development Fees	145,299	9,388	154,687	96,316
Development Contribution	0	0	0	0
Interest Expense	(32,959)	(26,887)	(59,846)	(68,826)
Total Nonoperating Revenues (Expenses)	<u>148,571</u>	<u>(1,652)</u>	<u>146,919</u>	<u>80,994</u>
Income Before Transfers	<u>1,041,629</u>	<u>165,535</u>	<u>1,207,164</u>	<u>1,288,260</u>
Operating Transfer In	3,553,476	0	3,553,476	2,195,000
Operating Transfer Out	(3,553,476)	0	(3,553,476)	(2,195,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change In Net Position	1,041,629	165,535	1,207,164	1,288,260
Total Net Position - Beginning	12,222,264	2,586,898	14,809,162	13,520,902
Prior Period Adjustment - GASB 68	(581,179)	(444,476)	(1,025,655)	0
Adjusted Net Position - Beginning	<u>11,641,085</u>	<u>2,142,422</u>	<u>13,783,507</u>	<u>13,520,902</u>
Total Net Position - Ending	<u>12,682,714</u>	<u>2,307,957</u>	<u>14,990,671</u>	<u>14,809,162</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NEWMAN
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Business-Type Activities-Enterprise Funds			
	RESTATED			
	Sewer Fund	Water Fund	Totals	
		2015	2014	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts From Customers And Users	2,652,655	1,341,730	3,994,385	4,111,516
Payments To Suppliers	(1,008,757)	(552,246)	(1,561,003)	(1,715,729)
Payments To Employees	(650,083)	(502,448)	(1,152,531)	(974,122)
Net Cash Provided By Operating Activities	<u>993,815</u>	<u>287,036</u>	<u>1,280,851</u>	<u>1,421,664</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer Ins	3,553,476	0	3,553,476	2,195,000
Transfer Out	(3,553,476)	0	(3,553,476)	(2,195,000)
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	13,980	8,280	22,260	11,835
Development Fees	145,299	9,388	154,687	96,316
Purchase Of Capital Assets	(3,392,568)	(49,210)	(3,441,778)	(1,455,069)
Principal Paid On Capital Debt	(174,856)	(53,958)	(228,814)	(227,343)
Interest Paid On Capital Debt	(32,959)	(26,887)	(59,846)	(68,826)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(3,441,104)</u>	<u>(112,387)</u>	<u>(3,553,491)</u>	<u>(1,643,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	<u>22,251</u>	<u>7,567</u>	<u>29,818</u>	<u>41,671</u>
Net Cash Provided By Investing Activities	<u>22,251</u>	<u>7,567</u>	<u>29,818</u>	<u>41,671</u>
Net Increase In Cash And Cash Equivalents	(2,425,038)	182,216	(2,242,822)	(179,752)
Cash And Equivalents, July 1	<u>5,697,045</u>	<u>1,164,217</u>	<u>6,861,262</u>	<u>7,041,014</u>
Cash And Equivalents, June 30	<u>3,272,007</u>	<u>1,346,433</u>	<u>4,618,440</u>	<u>6,861,262</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	Business-Type Activities-Enterprise Funds			
	Sewer Fund	Water Fund	RESTATED Totals	
			2015	2014
Operating Income	893,058	167,187	1,060,245	1,207,266
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense	184,319	121,692	306,011	294,065
(Increase) Decrease In				
Deferred Outflows of Resources	(5,827)	(4,456)	(10,283)	0
Accounts Receivable	(59,258)	15,249	(44,009)	50,746
Increase (Decrease) In				
Accounts Payable	5,413	11,306	16,719	(125,503)
Compensated Absences	3,621	(1,427)	2,194	(5,035)
Deferred Inflows of Resources	127,098	97,202	224,300	0
Net Pension Liability	(154,609)	(118,242)	(272,851)	0
Customer Deposits	0	(1,475)	(1,475)	125
Net Cash Provided (Used) By Operating Activities	<u>993,815</u>	<u>287,036</u>	<u>1,280,851</u>	<u>1,421,664</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NEWMAN
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014

	Successor Agency to the RDA Fund	Successor Agency Housing Fund	RESTATED Totals	
			2015	2014
Assets				
Cash And Investments	159,101	(3,732)	155,369	86,494
Restricted Cash	250,465	0	250,465	253,981
Accounts Receivable	6,035	0	6,035	12,172
Notes Receivable	704,447	300,000	1,004,447	1,066,662
Deferred Outflows of Resources	23,682	0	23,682	22,158
Due From Other Funds	<u>0</u>	<u>485,822</u>	<u>485,822</u>	<u>485,822</u>
Total Assets	<u><u>1,143,730</u></u>	<u><u>782,090</u></u>	<u><u>1,925,820</u></u>	<u><u>1,927,289</u></u>
Liabilities And Fund Balances				
Liabilities				
Accounts Payable	0	0	0	534
Compensated Absences	9,466	0	9,466	9,822
Net Pension Liability	133,711	0	133,711	174,142
Deferred Inflows of Resources	33,237	0	33,237	0
Loan Payable	120,000	0	120,000	240,000
Due To Other Government	<u>485,822</u>	<u>0</u>	<u>485,822</u>	<u>485,822</u>
Total Liabilities	<u><u>782,236</u></u>	<u><u>0</u></u>	<u><u>782,236</u></u>	<u><u>910,320</u></u>
Fund Balance	<u><u>361,494</u></u>	<u><u>782,090</u></u>	<u><u>1,143,584</u></u>	<u><u>1,016,969</u></u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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 position and the statement of changes in net position) 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, 2015

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, 2015

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 non-operating 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 non-operating 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 Position 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, 2015

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, 2015**

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, 2015**

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. Pensions

For purposes of on liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Newman's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. 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 position.

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.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

9. Long-Term Obligations (continued)

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.

10. Net Position and Fund Equity

In the government-wide financial statements, net position are reported in three categories: net positions invested in capital assets, net of related debt; restricted net position and unrestricted net position. Restricted net position represent net position 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 position are temporarily restricted (ultimately expendable assets). All other net position 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, 2015**

10. Net Position 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:						
Capital Projects	0	0	0	0	271,631	271,631
Housing	0	0	0	0	88,406	88,406
Public Safety	0	0	0	0	0	0
Community Development	0	4,873,083	0	0	162,922	5,036,005
Committed To:						
Streets and Highway	0	0	0	0	877,610	877,610
Parks and Recreation	0	0	0	0	407,853	407,853
Housing	0	0	0	0	130,816	130,816
Public Fac Improvements	0	0	4,127,817	0	0	4,127,817
Assigned To						
Streets and Highway	0	0	0	0	269,099	269,099
Transportation	0	0	0	0	0	0
Contingencies	0	0	0	0	206,023	206,023
Other Purposes	0	0	0	0	18,263	18,263
Unassigned	<u>2,671,669</u>	<u>0</u>	<u>0</u>	<u>(582,517)</u>	<u>36,259</u>	<u>2,125,411</u>
Total Fund Balances	<u>2,671,669</u>	<u>4,873,083</u>	<u>4,127,817</u>	<u>(582,517)</u>	<u>2,468,882</u>	<u>13,558,934</u>

11. 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, 2015**

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, 2015, the following fund has a deficit fund balance:

Storm Drain Fund	\$582,517
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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, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	15,372,581
Successor Agency (Fiduciary Funds)	<u>155,369</u>
Total cash and investments	<u>15,527,950</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	1,000
Deposits with financial institutions	11,635,555
Investments in LAIF	<u>3,891,395</u>
Total cash and investments	<u>15,527,950</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, 2015**

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 7.86 months.

		<u>Maturity Date</u>
State investment pool	<u>3,891,395</u>	7.86 months average maturity
Total	<u>3,891,395</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, 2015**

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).

Beginning January 1, 2013, funds deposited in a non-interest bearing transaction account no longer will receive unlimited deposit insurance covered by FDIC. All depositor's accounts at an insured depository institution including all non-interest bearing transactions accounts will be insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000) for each deposit insurance ownership category.

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.

Deferred Compensation Plan

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

B. 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, 2015 is \$4,055,247.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Accounts Receivable

Receivables at June 30, 2015 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>Non-Major Govern-mental</u>	<u>Total</u>
Governmental Activities:			
Utility Billing	94,244	0	94,244
Other	88,132	0	88,132
Intergovernmental	<u>81,413</u>	<u>235,042</u>	<u>316,455</u>
Total	<u><u>263,789</u></u>	<u><u>235,042</u></u>	<u><u>498,831</u></u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Business-Type Activities:			
Utility Billing	155,395	168,168	323,563
Other	<u>0</u>	<u>180,473</u>	<u>180,473</u>
Total	<u><u>155,395</u></u>	<u><u>348,641</u></u>	<u><u>504,036</u></u>

D. Evaluation of Subsequent Events

The City has evaluated subsequent events through September 30, 2015, the date which the financial statements were available to be issued.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental-type Activities				
Capital assets not being depreciated:				
Land	3,363,088	0	0	3,363,088
Construction in Progress	<u>314,576</u>	<u>737,393</u>	<u>0</u>	<u>1,051,969</u>
Total capital assets not being depreciated	<u>3,677,664</u>	<u>737,393</u>	<u>0</u>	<u>4,415,057</u>
Capital assets being depreciated:				
Infrastructure	3,506,657	0	0	3,506,657
Equipment and Vehicles	3,122,422	146,684	(169,326)	3,099,780
Building and Improvements	<u>9,663,211</u>	<u>0</u>	<u>0</u>	<u>9,663,211</u>
Total capital assets being depreciated	<u>16,292,290</u>	<u>146,684</u>	<u>(169,326)</u>	<u>16,269,648</u>
Less accumulated depreciation for:				
Infrastructure	(1,167,621)	(123,722)	0	(1,291,343)
Equipment and Vehicles	(2,273,734)	(181,698)	169,326	(2,286,106)
Building and Improvements	<u>(2,445,785)</u>	<u>(306,942)</u>	<u>0</u>	<u>(2,752,727)</u>
Total accumulated depreciation	<u>(5,887,140)</u>	<u>(612,362)</u>	<u>169,326</u>	<u>(6,330,176)</u>
Net capital assets being depreciated	<u>10,405,150</u>	<u>(465,678)</u>	<u>0</u>	<u>9,939,472</u>
Total net capital assets - Governmental-type activities	<u>14,082,814</u>	<u>271,715</u>	<u>0</u>	<u>14,354,529</u>

The current increases in capital assets and accumulated depreciation include the Successor Agency assets transferred back to the City's general fixed assets. See Note IV, Other Information, D – Successor Agency Trust For Assets of Former Redevelopment Agency.

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

Government Activities:

General Government	28,276
Public Safety	116,939
Public Works	380,886
Community Development	63,661
Culture And Leisure	<u>22,600</u>
Total Depreciation Expense – Government Activities	<u>612,362</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated:				
Land	4,760,423	3,305,796	0	8,066,219
Construction In Progress	<u>148,090</u>	<u>27,999</u>	<u>0</u>	<u>176,089</u>
Total capital assets not being depreciated	<u>4,908,513</u>	<u>3,333,795</u>	<u>0</u>	<u>8,242,308</u>
Capital assets being depreciated:				
Infrastructure	7,192,073	0	0	7,192,073
Equipment And Vehicles	1,227,576	107,982	(22,864)	1,312,694
Building And Improvements	<u>1,009,511</u>	<u>0</u>	<u>0</u>	<u>1,009,511</u>
Total capital assets being depreciated	<u>9,429,160</u>	<u>107,982</u>	<u>(22,864)</u>	<u>9,514,278</u>
Less accumulated depreciation for:				
Infrastructure	(4,053,523)	(186,320)	0	(4,239,843)
Equipment And Vehicles	(919,726)	(87,391)	22,864	(984,253)
Building And Improvements	<u>(179,956)</u>	<u>(32,300)</u>	<u>0</u>	<u>(212,256)</u>
Total accumulated depreciation	<u>(5,153,205)</u>	<u>(306,011)</u>	<u>22,864</u>	<u>(5,436,352)</u>
Net capital assets being depreciated	<u>4,275,955</u>	<u>(198,029)</u>	<u>0</u>	<u>4,077,926</u>
Total net capital assets - Business-type activities	<u>9,184,468</u>	<u>3,135,766</u>	<u>0</u>	<u>12,320,234</u>

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

Business- Type Activities:

Water	121,692
Sewer	<u>184,319</u>
Total Depreciation Expense – Business-Type Activities	<u>306,011</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

F. Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	358,980	112,192
Capital Repair	100,000	0
Federal Grants	149,298	0
State Grant	63,480	0
Gas Tax	0	245,648
COPS Grant	0	106,652
Public Facility	0	149,298
Parks	0	51,288
County CDBG	0	6,680
Total	<u>671,758</u>	<u>671,758</u>

G. Long-Term Debt

Long-term debt consists of the following:

Governmental-Type Activities:

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 Public Facility Improvement Fund. The amount finance \$686,000 at 6% for five years. The loan matures in July 2017. The General Fund principal balance was \$202,522 as of June 30, 2015.

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	7,717	11,941	19,658
2017	<u>194,805</u>	<u>974</u>	<u>195,779</u>
	<u>202,522</u>	<u>12,915</u>	<u>215,437</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 General Fund principal balance was \$13,107 as of June 30, 2015.

Year Ending June 30	Principal	Interest	Total
2016	6,391	655	7,046
2017	<u>6,716</u>	<u>335</u>	<u>7,051</u>
	<u>13,107</u>	<u>990</u>	<u>14,097</u>

Sun Ridge System 911 Software Purchase

The City purchased Sun Ridge System 911 Software in October 1, 2014 from Sun Ridge System, Inc. for \$96,221. Repayment will be made in yearly installments, the first year of \$18,307 at a 0% and the remaining payments at \$19,867 at a 4% rate of interest. The loan matures in October 2019. The General Fund principal balance was \$77,904 as of June 30, 2015.

Year Ending June 30	Principal	Interest	Total
2016	19,244	623	19,867
2017	19,398	469	19,867
2018	19,553	314	19,867
2019	<u>19,709</u>	<u>158</u>	<u>19,867</u>
	<u>77,904</u>	<u>1,564</u>	<u>79,468</u>

HP Computer Lease

The City leased HP computers in November 2012 from HP Investments for \$14,196. Repayment will be made in three yearly installments at a 5.26% rate of interest. The lease balance was \$0 as of June 30, 2015.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 is \$380,823.

Year Ending June 30	Principal	Interest	Total
2016	41,996	12,144	54,140
2017	43,336	10,704	54,040
2018	45,612	9,203	54,815
2019	46,822	7,643	54,465
2020	47,971	6,044	54,015
2021-2023	<u>155,086</u>	<u>7,984</u>	<u>163,070</u>
	<u><u>380,823</u></u>	<u><u>53,722</u></u>	<u><u>434,545</u></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, 2015 is \$341,300.

Year Ending June 30	Principal	Interest	Total
2016	166,100	13,311	179,411
2017	<u>175,200</u>	<u>6,833</u>	<u>182,033</u>
	<u><u>341,300</u></u>	<u><u>20,144</u></u>	<u><u>361,444</u></u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 \$26,214 split evenly as of June 30, 2015.

Year Ending June 30	Principal	Interest	Total
2016	12,782	1,310	14,092
2017	<u>13,432</u>	<u>670</u>	<u>14,102</u>
	<u>26,214</u>	<u>1,980</u>	<u>28,194</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 Public Facility Improvement 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 \$405,045 split evenly as of June 30, 2015.

Year Ending June 30	Principal	Interest	Total
2016	15,434	23,882	39,316
2017	<u>389,611</u>	<u>1,948</u>	<u>391,559</u>
	<u>405,045</u>	<u>25,830</u>	<u>430,875</u>

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
City Hall Purchase	209,791	0 (	7,269)	202,522	7,717
Springbrook Software Note	19,194	0 (	6,087)	13,107	6,391
Sun Ridge System Software Note	0	96,211 (	18,307)	77,904	19,867
HP Capital Lease	<u>4,728</u>	<u>0 (</u>	<u>4,728)</u>	<u>0</u>	<u>0</u>
Long-term liabilities of Governmental Activities:	<u>233,713</u>	<u>96,211 (</u>	<u>36,391)</u>	<u>293,533</u>	<u>33,975</u>

	<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)	421,425	0 (	40,602)	380,823	41,996
City Hall Purchase	419,583	0 (	14,538)	405,045	15,434
Certificate of Participation (Refinanced)	502,800	0 (	161,500)	341,300	166,100
Springbrook Software Note	<u>38,388</u>	<u>0 (</u>	<u>12,174)</u>	<u>26,214</u>	<u>12,782</u>
Long-term liabilities of Governmental Activities:	<u>1,382,196</u>	<u>0 (</u>	<u>228,814)</u>	<u>1,153,382</u>	<u>236,312</u>

H. 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	113,375	51,716	165,091
Additions	7,405	5,048	12,453
Deletions	<u>(207)</u>	<u>(2,854)</u>	<u>(3,061)</u>
Ending Balance	<u>120,573</u>	<u>53,910</u>	<u>174,483</u>

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

I. Payables And Other Liabilities

Payables at June 30, 2015 for the City's individual major funds and non-major funds in the aggregate are as follows:

	<u>General</u>	<u>Public Facility</u>	<u>Storm Drain</u>	<u>Non-major Govern- mental</u>	<u>Total</u>
<u>Governmental Activities:</u>					
Vendors	252,409	1,778	0	106,995	361,182
Customer Deposits	5,080	0	0	1,867	6,947
Developer Deposits	<u>598,169</u>	<u>0</u>	<u>763,048</u>	<u>110,546</u>	<u>1,471,763</u>
Total	<u>855,658</u>	<u>1,778</u>	<u>763,048</u>	<u>219,408</u>	<u>1,839,892</u>
			<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Business-Type Activities:</u>					
Vendors		27,591		39,569	67,160
Customer Deposits		110,825		0	110,825
Developer Deposits		<u>99,942</u>		<u>0</u>	<u>99,942</u>
Total		<u>238,358</u>		<u>39,569</u>	<u>277,927</u>

IV. OTHER INFORMATION

A. Risk Management

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

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2014, are presented below:

Total Assets	<u>80,694,798</u>
Total Liabilities	65,440,947
Total Net position	<u>15,253,851</u>
Total Liabilities & Retained Earnings	<u>80,694,798</u>
Total Revenues for Year	32,108,146
Total Expenses for Year	<u>32,739,704</u>
Net Income/Loss for Year	<u>(631,558)</u>

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

B. Commitments and Contingencies

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

C. Employee Retirement Systems and Plans

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Employee Retirement Systems and Plans (continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Prior to December 01, 2010	December 01, 2010 to Prior to January 1, 2013	On or After January 1, 2013
Hire Date			
Benefit Formula	2.7% @ 55	2.0% @ 55	2.0% @ 60
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	50 - 63
Monthly benefits, as of % of eligible compensation	2.000% to 2.700%	1.426% to 2.418%	1.092% to 2.418%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	24.856%	11.032%	6.250%
	Safety		
	Prior to December 01, 2010	December 01, 2010 to Prior to January 1, 2013	On or After January 1, 2013
Hire Date			
Benefit Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as of % of eligible compensation	3.000%	2.4000% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	9.000%	11.500%
Required employer contribution rates	36.675%	21.367%	11.500%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contributions rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during that year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between actuarially determined rate and the contribution rate of employees.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Employee Retirement Systems and Plans (continued)

In December 2010, the City of Newman added a second lower cost tier for future employees. Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) implemented new benefit formulas, final compensation period, and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

Participants on Tier 1 are required to contribute 8% (9% for public-safety employees); participants on Tier 2 are required to contribute 7% (9% for public-safety employees); and participants in Tier 3 are required to contribute 6.25% (11.5% 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 and Tier 3, 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 rates are 24.856% for Tier 1 and 11.032% for Tier 2 for non-safety employees, and 36.675% for Tier 1 and 21.367% for Tier 2 of police employees, of annual covered payroll.

For the year ended June 30, 2015, the contribution recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 252,458	\$ 266,725
Contributions - employee (paid by employer)	42,757	38,903

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,011,976
Safety	<u>1,632,087</u>
Total Net Pension Liability	<u><u>\$ 3,644,063</u></u>

The Local Government's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as on June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Employee Retirement Systems and Plans (continued)

the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.04025%	0.02920%
Proportion - June 30, 2014	0.04025%	0.02920%
Change - Increase (Decrease)	0.00000%	0.00000%

For the year ended June 30, 2015, the Local Government recognized pension expense of \$379,650. At June 30, 2015, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 577,161	\$ 0
Differences between actual and expected experience	0	0
Changes in assumptions	0	0
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	0	0
Net differences between projected and actual earnings on plan investments	0	(810,032)
Total	<u>\$ 577,161</u>	<u>\$ (810,032)</u>

\$577,161 reported as deferred outflows of resources relation to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ (218,249)
2017	(213,297)
2018	(193,476)
2019	0
2020	0
Thereafter	0
Total	<u>\$ (625,022)</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

C. Employee Retirement Systems and Plans (continued)

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2001. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Employee Retirement Systems and Plans (continued)

GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits of cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

C. Employee Retirement Systems and Plans (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Local Government’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$3,114,949	\$2,513,590
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$2,011,976	\$1,632,087
1% Increase	8.50%	8.50%
Net Pension Liability	\$1,096,612	\$905,768

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the Local Government reported a payable of \$3,258,694 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

D – Prior Period Adjustment

As part of the GASB 68 implementation, the City had to record prior period adjustments to accrue the beginning balance of the Deferred Outflows of Resources and the Net Pension Liabilities. The net decrease adjustments to net position are as follows:

Governmental Activities	(\$ 2,678,382)
Proprietary Activities	(\$ 1,025,655)

E – 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.

CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

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).

**CITY OF NEWMAN
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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

With the passing of AB1484 the State had developed a method whereby the City could 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. On April 3, 2013, the City received their Finding of Completion, and on November 25, 2013, the City received approval from the state of their Long Range Property Management Plan. The assets in the Long Range Property Management Plan are assets the City is allowed to transfer back into the City’s net position. Below is a summary of the transfer.

Capital assets transferred to the City under Long Range Plan Agreement:

Construction in Progress	57,669
Land	1,229,834
Streets & Roads	944,114
Buildings	115,823
Improvements	<u>30,148</u>
Subtotal capital assets transferred	2,377,588
Accumulated depreciation associated with assets above	<u>(490,270)</u>
Net Increase to net position of the City as a result of transfer	<u><u>1,887,318</u></u>

REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF NEWMAN
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS
JUNE 30, 2015

	2015		
	Misc Tier 1	Misc Tier 2	Misc PEPR
Proportion of the net pension liability	0.3225%	0.00008%	0.0000%
Proportion share of the net pension liability	\$ 2,006,774	\$ 5,181	\$ 21
Covered - employee payroll	\$ 986,220	\$ 144,629	\$ 28,303
Proportionate share of the net pension liability as percentage of covered-employee payroll	203.48%	3.58%	0.07%
Plan's fiduciary net position	\$ 6,276,692	\$ 25,345	\$ 104
Plan fiduciary net position as a percentage of the total pension liability	75.77%	83.03%	83.20%

Notes to Schedule:

Benefit Changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Change in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF NEWMAN
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SAFETY
JUNE 30, 2015

	2015		
	Safety Tier 1	Safety Tier 2	Safety PEPR
Proportion of the net pension liability	0.0262%	0.00003%	0.0000%
Proportion share of the net pension liability	\$ 1,629,995	\$ 2,019	\$ 73
Covered - employee payroll	\$ 705,770	\$ 44,890	\$ 47,791
Proportionate share of the net pension liability as percentage of covered-employee payroll	230.95%	4.50%	0.15%
Plan's fiduciary net position	\$ 4,939,699	\$ 8,845	\$ 323
Plan fiduciary net position as a percentage of the total pension liability	75.19%	81.42%	81.57%

Notes to Schedule:

Benefit Changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Change in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF NEWMAN
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS
JUNE 30, 2015

	2015		
	Misc Tier 1	Misc Tier 2	Misc PEPRA
Contractually required contribution (actuarially determined)	\$ 203,824	\$ 22,654	\$ 2,101
Contributions in relation to the actuarially determined contributions	(203,824)	(22,654)	(2,101)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 986,220	\$ 144,629	\$ 28,303
Contributions as a percentage of covered-employee payroll	20.67%	15.66%	7.42%
percentage of covered-employee payroll			

Notes to Schedule:

Valuation Date:	6/30/2013	6/30/2013	6/30/2013
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Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	Payroll from prior year was assumed to increase by 3.00 percent
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

CITY OF NEWMAN
SCHEDULE OF CONTRIBUTIONS - SAFETY
JUNE 30, 2015

	2015		
	Safety Tier 1	Safety Tier 2	Safety PEPRA
Contractually required contribution (actuarially determined)	\$ 241,124	\$ 10,455	\$ 5,402
Contributions in relation to the actuarially determined contributions	(241,124)	(10,455)	(5,402)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 705,770	\$ 44,890	\$ 47,791
Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll	34.16%	23.29%	11.30%

Notes to Schedule:

Valuation Date: 6/30/2013 6/30/2013 6/30/2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	Payroll from prior year was assumed to increase by 3.00 percent
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**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.

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.

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

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.

**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Special Revenue		
	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund
Assets			
Cash And Investments	1,639	518,399	53,114
Cash with Fiscal Agent	0	0	0
Accounts Receivable	0	0	0
Loans Receivable	0	0	0
Due From Other Funds	0	0	0
Total Assets	<u>1,639</u>	<u>518,399</u>	<u>53,114</u>
Liabilities And Fund Balances			
Liabilities			
Accounts Payable	0	0	1,525
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>1,525</u>
Fund Balances			
Nonspendable	0	0	0
Restricted	0	0	0
Committed	0	407,853	0
Assigned	1,639	0	0
Unassigned	0	0	51,589
Total Fund Balances	<u>1,639</u>	<u>407,853</u>	<u>51,589</u>
Total Liabilities And Fund Balances	<u>1,639</u>	<u>518,399</u>	<u>53,114</u>

Special Revenue

Abandoned Vehicle Program	Gas Tax Fund	Employee Home Loan Fund	Federal Grants Fund	COPS Grant Fund	Asset Forfeit Fund
24,986	244,629	130,816	282,682	0	4,792
0	0	0	0	0	0
0	24,470	0	0	0	0
0	0	88,406	0	0	0
0	0	0	0	0	0
<u>24,986</u>	<u>269,099</u>	<u>219,222</u>	<u>282,682</u>	<u>0</u>	<u>4,792</u>
8	0	0	11,051	0	0
18	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>26</u>	<u>0</u>	<u>0</u>	<u>11,051</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
24,960	0	88,406	271,631	0	0
0	0	130,816	0	0	0
0	269,099	0	0	0	4,792
0	0	0	0	0	0
<u>24,960</u>	<u>269,099</u>	<u>219,222</u>	<u>271,631</u>	<u>0</u>	<u>4,792</u>
<u>24,986</u>	<u>269,099</u>	<u>219,222</u>	<u>282,682</u>	<u>0</u>	<u>4,792</u>

**CITY OF NEWMAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Special Revenue		
	Local Transportation Fund	County CDBG Consortium Fund	Business License Surcharge Fund
Assets			
Cash And Investments	793,071 (	61,591)	9,525
Cash with Fiscal Agent	0	0	0
Accounts Receivable	96,302	114,270	0
Loans Receivable	0	0	0
Due From Other Funds	0	0	0
Total Assets	<u>889,373</u>	<u>52,679</u>	<u>9,525</u>
Liabilities And Fund Balances			
Liabilities			
Accounts Payable	11,763	68,009	0
Compensated Absences	0	0	0
Other Liabilities	0	0	1,867
Due To Other Funds	0	0	0
Total Liabilities	<u>11,763</u>	<u>68,009</u>	<u>1,867</u>
Fund Balances			
Nonspendable	0	0	0
Restricted	0	0	0
Committed	877,610	0	0
Assigned	0	0	7,658
Unassigned	0 (	15,330)	0
Total Fund Balances	<u>877,610 (</u>	<u>15,330)</u>	<u>7,658</u>
Total Liabilities And Fund Balances	<u>889,373</u>	<u>52,679</u>	<u>9,525</u>

Special Revenue

Lighting Landscape District Fund	Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
			2015	2014
153,609	206,023	4,174	2,365,868	2,342,684
0	0	0	0	0
0	0	0	235,042	235,084
0	0	0	88,406	106,779
0	0	0	0	0
<u>153,609</u>	<u>206,023</u>	<u>4,174</u>	<u>2,689,316</u>	<u>2,684,547</u>
14,639	0	0	106,995	75,236
1,008	0	0	1,026	1,058
0	0	0	112,413	112,413
0	0	0	0	0
<u>15,647</u>	<u>0</u>	<u>0</u>	<u>220,434</u>	<u>188,707</u>
0	0	0	0	0
137,962	0	0	522,959	331,138
0	0	0	1,416,279	1,265,588
0	206,023	4,174	493,385	911,788
0	0	0	36,259	(12,674)
<u>137,962</u>	<u>206,023</u>	<u>4,174</u>	<u>2,468,882</u>	<u>2,495,840</u>
<u>153,609</u>	<u>206,023</u>	<u>4,174</u>	<u>2,689,316</u>	<u>2,684,547</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Special Revenue		
	Program Income Misc. Fund	Park Facility Fee Fund	State Grants Fund
Revenues			
Investment Earnings	10	3,416	0
Intergovernmental	0	0	0
Property Taxes	0	0	0
Other Taxes	0	0	0
Impact Fees	0	29,526	0
Licenses And Permits	0	0	0
Service Charges And Miscellaneous	0	0	0
Total Revenues	<u>10</u>	<u>32,942</u>	<u>0</u>
Expenditures			
General Government	0	0	0
Public Safety	0	0	0
Public Works	0	0	2,004
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	7,434
Total Expenditures	<u>0</u>	<u>0</u>	<u>9,438</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>10</u>	<u>32,942</u>	<u>(9,438)</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	63,480
Operating Transfers Out	0	(51,288)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(51,288)</u>	<u>63,480</u>
Extraordinary Gain/(Loss) on RDA Disposal	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balances	10 (	18,346)	54,042
Fund Balance - Beginning	<u>1,629</u>	<u>426,199</u>	<u>(2,453)</u>
Fund Balance - Ending	<u>1,639</u>	<u>407,853</u>	<u>51,589</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
126	2,215	3,424	904	285	31	4,523
11,799	309,860	0	3,391	106,230	0	193,671
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
40	0	0	0	0	0	323
<u>11,965</u>	<u>312,075</u>	<u>3,424</u>	<u>4,295</u>	<u>106,515</u>	<u>31</u>	<u>198,517</u>
0	0	0	0	0	0	0
7,156	0	0	0	0	3,173	0
0	0	0	0	0	0	12,602
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	48,003	0	0	38,675
<u>7,156</u>	<u>0</u>	<u>0</u>	<u>48,003</u>	<u>0</u>	<u>3,173</u>	<u>51,277</u>
<u>4,809</u>	<u>312,075</u>	<u>3,424</u>	<u>(43,708)</u>	<u>106,515</u>	<u>(3,142)</u>	<u>147,240</u>
0	0	0	149,298	0	0	0
0	(245,648)	0	0	(106,652)	0	0
0	(245,648)	0	149,298	(106,652)	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4,809	66,427	3,424	105,590	(137)	(3,142)	147,240
<u>20,151</u>	<u>202,672</u>	<u>215,798</u>	<u>166,041</u>	<u>137</u>	<u>7,934</u>	<u>730,370</u>
<u>24,960</u>	<u>269,099</u>	<u>219,222</u>	<u>271,631</u>	<u>0</u>	<u>4,792</u>	<u>877,610</u>

**CITY OF NEWMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2014**

	Special Revenue		
	County CDBG Consortium Fund	Business License Surcharge Fund	Lighting Landscape District Fund
Revenues			
Investment Earnings	0	112	456
Intergovernmental	134,521	0	0
Property Taxes	0	0	0
Other Taxes	0	0	0
Impact Fees	0	0	317,831
Licenses And Permits	0	0	0
Service Charges And Miscellaneous	0	11,930	312
Total Revenues	<u>134,521</u>	<u>12,042</u>	<u>318,599</u>
Expenditures			
General Government	0	27,776	0
Public Safety	0	0	0
Public Works	1,290	0	0
Community Development	0	0	218,667
Culture And Leisure	0	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	<u>131,660</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>132,950</u>	<u>27,776</u>	<u>218,667</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>1,571</u>	<u>(15,734)</u>	<u>99,932</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	<u>(6,680)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(6,680)</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	<u>(5,109)</u>	<u>(15,734)</u>	<u>99,932</u>
Fund Balance - Beginning	<u>(10,221)</u>	<u>23,392</u>	<u>38,030</u>
Fund Balance - Ending	<u><u>(15,330)</u></u>	<u><u>7,658</u></u>	<u><u>137,962</u></u>

Special Revenue

Contingency Fund	Capital Repair Replacement Fund	Total Non-Major Special Revenue Funds	
		2015	2014
1,260	1,375	18,137	15,520
0	0	759,472	889,007
0	0	0	0
0	0	0	0
0	0	347,357	263,510
0	0	0	0
0	0	12,605	12,607
<u>1,260</u>	<u>1,375</u>	<u>1,137,571</u>	<u>1,180,644</u>
0	0	27,776	8,896
0	0	10,329	26,757
0	0	15,896	31,611
0	2,421	221,088	254,690
0	0	0	11,093
0	6,087	6,087	8,644
0	960	960	1,577
0	559,131	784,903	523,524
<u>0</u>	<u>568,599</u>	<u>1,067,039</u>	<u>866,792</u>
<u>1,260</u>	<u>(567,224)</u>	<u>70,532</u>	<u>313,852</u>
0	100,000	312,778	212,561
<u>0</u>	<u>0</u>	<u>(410,268)</u>	<u>(361,814)</u>
<u>0</u>	<u>100,000</u>	<u>(97,490)</u>	<u>(149,253)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,260	(467,224)	(26,958)	164,599
<u>204,763</u>	<u>471,398</u>	<u>2,495,840</u>	<u>2,331,241</u>
<u>206,023</u>	<u>4,174</u>	<u>2,468,882</u>	<u>2,495,840</u>

OTHER REPORTS

**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, 2015 which collectively comprise the City of Newman, State of California's basic financial statements and have issued our report thereon dated September 30, 2015. 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
September 30, 2015



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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, 2015, and have issued our report thereon dated September 30, 2015. 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.

CLENDENIN BIRD & COMPANY, P.C.

Modesto, California
September 30, 2015