

NEWARK UNIFIED SCHOOL DISTRICT
Newark, California

FINANCIAL STATEMENTS
June 30, 2012

NEWARK UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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NEWARK UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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REPORT OF INDEPENDENT AUDITORS

Audit Committee and Board of Education
Newark Unified School District
Newark, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Newark Unified School District, as of and for the year ended June 30, 2012, which collectively comprise Newark Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Newark Unified School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 our report dated December 13, 2012 on our consideration of Newark Unified School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government 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 on pages 3 through 13 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress on pages 46 and 47 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Newark Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, 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 generally accepted in the United States of America. In our opinion, the schedule of federal awards and other supplemental information listed in the table of contents, except the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The Schedule of Financial Trends and Analysis has not been subject to the auditing procedures applied in the audit of the financial statements and accordingly we do not express an opinion or provide any assurance on it.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

This section of Newark Unified School District's 2011-2012 annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section. Analysis has been included in this financial statement in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of Newark Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are pension trust, private purpose trust and agency funds. Agency funds only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Governmental-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The financial statements also include notes that explain some of the information in the statements and provide detailed data. The statements are followed by a section of required supplementary budget information that further explains and supports the financial statements.

The Primary unit of the government is Newark Unified School District. Newark Unified School District Financing Corporation 1 and 2 are component units; both Financing Corporation 1 and 2 have no activity and are inactive.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools are also an important component in this evaluation.

In the Statement of Net Assets and the Statement of Activities, the District activities are presented as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like the District's funds for associated student body activities. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$19,981,576 and \$19,918,033 for the fiscal years ended June 30, 2012 and 2011, respectively. Of this amount, \$8,516,252 and \$6,131,253 were unrestricted for each respective year. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. The analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2012	2011
Current and other assets	\$ 23,361,600	\$ 29,653,066
Capital assets	73,375,402	74,715,254
Total assets	96,737,002	104,368,320
Current liabilities	8,638,181	15,151,338
Long-term debt	68,117,245	69,298,949
Total liabilities	76,755,426	84,450,287
Net assets		
Invested in capital assets, net of related debt	4,235,488	5,797,689
Restricted	7,299,836	7,989,091
Unrestricted	8,516,252	6,131,253
Total Net Assets	\$ 19,981,576	\$ 19,918,033

The \$8,516,252 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 shows the same information, but presented in a different format.

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 1,335,042	\$ 1,409,447
Operating grants and contributions	11,477,601	10,777,271
General revenues:		
Federal and State sources not restricted	28,237,016	29,516,976
Property taxes	19,270,692	19,009,276
Other general revenues	1,195,979	970,803
Total Revenues	61,516,330	61,683,773
Expenses		
Instruction related	41,485,711	42,818,187
Pupil Service	4,953,443	5,094,925
General administration	3,141,093	3,501,745
Maintenance and Operations	6,369,956	5,628,211
Other	5,502,584	6,791,045
Total Expenses	61,452,787	63,834,113
Change in Net Assets	\$ 63,543	\$ (2,150,340)

Governmental Activities

As illustrated in Table 2 above, the cost of all of the District's governmental activities was \$61,452,787 and \$63,834,113 for 2012 and 2011, respectively. However, the amount that the taxpayers ultimately financed for these activities through local taxes was only \$19,270,692 and \$19,009,276 for 2012 and 2011, respectively, because the cost was paid by those who benefited from the programs (\$1,335,042 and \$1,409,447 for 2012 and 2011, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$11,477,601 and \$10,777,271 for 2012 and 2011, respectively). The District paid for the remaining "public benefit" portion of its governmental activities with \$28,237,016 and \$29,516,976 for 2012 and 2011, respectively, in taxes through revenue limit sources, \$1,195,979 and \$970,803 for 2012 and 2011, respectively, with other revenues, like interest and general entitlements.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Table 3 shows the net cost of each of the District's 7 largest functions - instruction, instruction related activities, pupil services, general administration, plant services and construction, ancillary and community services, and other services. This table reports each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows Newark citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Costs of Services	
	2012	2011
Instruction	\$ 27,699,495	\$ 27,674,476
Instruction related activities	5,312,351	6,650,608
Pupil services	1,756,862	1,976,167
General administration	2,605,625	2,986,134
Plant services and construction	6,317,567	5,583,873
Ancillary and community services	301,885	361,891
Other	4,646,359	6,414,246
Totals	\$ 48,640,144	\$ 51,647,395

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of \$19,415,901, which is an increase of \$2,517,030 from last year.

The primary reasons for these changes are:

- a. The General Fund is the District's principal operating fund. The fund balance in the General Fund had a net increase of \$2,658,053, primarily due to the transfer of the fund balance from the Tax Override Fund.
- b. The Bond Interest and Redemption Fund had a net increase of \$177,268.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2012. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 46.

- Significant revenue revisions made to the 2011-12 Budget were due to carryover of unspent categorical funds from the prior year. Other revenue categories were also adjusted as grants become available from the Federal, State, and Local agencies.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

- Budgeted expenditures were adjusted in accordance to the increase in categorical program revenues. Additionally, budget for unspent categorical programs (entitlements) with fund balance from the prior year were increased. Other expenditures categories were adjusted to cover any unexpected changes during the year.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$73,375,402 in a broad range of capital assets, including land, construction in progress, buildings and improvements, as well as equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$3,701,922 or 4.80 percent, from last year.

Table 4

	Governmental Activities	
	2012	2011
Land	\$ 2,084,146	\$ 2,084,146
Work in progress	0	277,924
Buildings and improvements	119,464,682	119,118,990
Equipment	3,658,457	3,554,221
Totals	125,207,285	125,035,281
Less Accumulated Depreciation	(51,831,883)	(47,957,957)
Total Assets after Depreciation	\$ 73,375,402	\$ 77,077,324

This year's additions of \$172,004 included school modernization, land improvements at various sites, and additions to equipment. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$69,639,302 in bonds outstanding versus \$71,279,635 last year, a decrease of 2.30 percent due to payments and adjustments to accreted interest. Other obligations include accumulated vacation and capital leases.

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Long-term obligations consisted of:

Table 5

	Governmental Activities	
	2012	2011
General obligation bonds	\$ 68,966,070	\$ 70,560,238
Add: Bond Premium	673,232	719,397
Subtotal	69,639,302	71,279,635
Accumulated vacation	532,127	528,608
OPEB Liability	1,950,326	1,485,476
Totals	\$ 72,121,755	\$ 73,293,719

The District received authorization at an election held on June 3, 1997, by a requisite two-thirds (2/3) vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed \$66 million (the "Authorization"). The following series of bonds have been issued under the Authorization and are still outstanding as of June 30, 2012

<u>Series</u>	<u>Delivery Date</u>	<u>Original Principal Amount</u>	<u>Principal Outstanding</u>
Series C (Partially Refunded)	09/12/00	\$ 13,999,881	\$ 0
Series D	04/30/02	\$ 31,501,495	\$ 17,810,274
Refinanced of A, B & C	02/09/05	\$ 40,155,000	\$ 38,240,000

The Series D Bonds represent the fourth and final series of bonds within the Authorization. The bonds issued were capital appreciation bonds, which accrete interest throughout the term of the bonds. This accreted interest is added to the outstanding balance each year.

The District's general obligation bond rating continues to be "AA-." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation bond debt of \$69,639,302 is below this limit.

Additional detailed information regarding the District's long-term obligations is presented in Note 5 of the financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-12 ARE NOTED BELOW:

- Met all requirements for textbook sufficiency and compliance
- Successfully met Williams requirements at the two Williams sites (Schilling and Graham)
- Gained 9 Academic Performance Index (API) points. Between the 04-05 school year and the present, NUSD has a net gain of 34 API points with a net target of 20.
- Eight of twelve school sites met or exceed their API targets.
- Without exception, NUSD achieved gains in API for all Newark significant subgroups, ranging from 3 to 35 points: Black or African American 3; Asian 18; Filipino 9; Hispanic or Latino 11; Students with disabilities 35; English Learners 18; Low SES 11.
- NUSD did not meet ELA or Math AYP targets for percentage of students proficient and advanced, but continues to make growth on both areas, growing from 44.6% to 53.6% proficient in English and from 50.9% to 56.5% proficient in Math between 2007 and 2011.
- All elementary schools administered three district assessments aligned to key California State Standards in ELA and Mathematics , and two or three additional assessments based on site-specific focus areas, using the OARS online assessment system.
- The English Learner Advisory committee restructured the K-6 EL Program into three instructional blocks; Listening, Speaking, Word Analysis and Vocabulary; Reading Comprehension; and Writing. This likely was significant in the API gain of 10 points for the year.
- Educational Services implemented numerous ELA and Math interventions at sites in the district including READ 180, Board Math, Pacent, I Station and Strategic/Intensive Interventions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-2013 year, the District Board and management used the following criteria:

Revenue:

- Enrollment is projected at 6,494 for 2012/13 which is a decline of 66 pupils from 2011/12.
- Average Daily Attendance ("ADA") is projected at 6,265.52. This is equivalent to 96.48% attendance rate. Adjustments will be made following the annual ADA reporting period and will be submitted to the Board in the 1st Interim Budget report.
- The state allows declining enrollment districts to utilize the prior year ADA when developing the next year's budget. Newark is projecting a decline in enrollment and is utilizing the 2011/12 Period 2 ADA of 6,351.56 in developing the 2012/13 Proposed Budget.
- The Statutory COLA for 2012/13 is 3.243% with Revenue Limit Deficit of 22.272% base on the Governor's May Revision. The Base Revenue Limit per ADA without the Deficit is \$6,717.91.
- Federal Categorical Program revenues are projected without COLA. The net decrease in Federal Categorical Program in 2012/13 is due to the elimination of carryover of unspent

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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- funds from prior year (i.e.: Title I and Special Education ARRA funding) and elimination of funding to Title II Part D-Enhancing Education through Technology.
- Title I Part A-Basic Grants Low-Income and Neglected is projected with flat funding. There is a projection that Title I Part A will have a reduction due to increase in state-level reservations and the release of the 2010 Census (which is the factor in calculating districts' allocation). However, the amount of reduction is unknown.
 - Medi-Cal Administrative Activities (MAA) revenue is conservatively budgeted.
 - The majority of the State Categorical Program revenues are projected with 0% COLA. In addition, the flexibility provision of using funds for any educational purpose is extended through 2014/15 (previously 2012/13) by SB 70.
 - Funding for Lottery is budgeted at \$118.00 for unrestricted and \$17.50 for Restricted (Proposition 20) per prior year annual attendance, as recommended by Alameda County Office of Education and School Services of California.
 - Class Size Reduction revenue is budgeted at \$1,071 per pupil in grades K-3 with a 30% penalty due to the ratio of 27:1.
 - Mandated Cost Program revenues are not budgeted until the actual reimbursements are received.
 - The net increase in Other State Revenues is due mainly to the revenue projection in AB3632 Special Education.
 - Special Education (Hughes Bill) Mandated Cost Claim Settlement is projected in the amount of \$83,062 in 2012/13. This amount is projected to be received through 2016/17.
 - State Special Education revenues, under Assembly Bill 602, are projected with the 0% COLA.
 - Interest Income is projected at 0.35%, as per 2011/12 3rd Quarter interest report from Alameda County Office of Education.
 - Miscellaneous local revenues are projected to be stable for 2012/13.
 - The District's miscellaneous donations will be budgeted upon the receipt of funds.
 - Carryover of any unspent funds from prior year 2011/12 for Federal, State and Local Programs will be fully budgeted following the close of the books this summer. The Board will receive the Unaudited Actual Report including carryover amounts at its meeting in September.
 - The Board of Education approved Resolution No. 1774 at the February 3, 2009 Board Meeting for designating available fund balance from other funds to be available for transfer, if needed, in support of Fund 01 – General Fund's ending fund balance and statutory reserves for economic uncertainty.
 - Inter-fund Transfers-In to the General Fund will be \$1,000,000, transferred from the Special Revenue (17) Fund.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Expenditures:

- Step and column increases are fully budgeted for all eligible employees.
- There are no projections for salary or health benefits increases for California School Employees Association (CSEA) and Newark Management Association (NEWMA) bargaining units in 2011/12.
- The cost of 1% of General Fund salaries and benefits is \$427,710 (NTA \$328,934, CSEA \$67,344, NEWMA \$31,432).
- Mandatory Employee Benefits:

Employee Benefit	Rate	Employee Benefit	Rate
STRS	8.25%	PERS and PERS Reduc	13.02%
FICA	6.20%	Medicare	1.45%
Alternative Retirement	3.75%	State Unemployment Ins	1.25%
Workers Compensation	2.35%	Retiree Benefits	1.18%

- PERS rate is budgeted at an increase of 0.494% for the 2012/13 fiscal year.
- State Unemployment Insurance rate is budgeted at a decrease of 0.51% for the 2012/13 fiscal year.
- The District Workers Compensation rate is budgeted at a decrease of 0.57% for the 2012/1 fiscal year.
- Class Size Ratios were approved by the Board of Education as part of budget modifications/reductions on April 27, 2010.

Grade	Ratio	Grade	Ratio
K-3	27:1	7-8	31:1
4-6	31:1	9-12	31:1

- School per pupil allowance for supplies and miscellaneous site expenses:

Grade	From General Fund	From Lottery Funding	Total
K-6	\$28.00	\$14.00	\$42.00
7-8	\$32.50	\$16.00	\$48.50
9-12	\$37.15	\$18.00	\$55.15

- The net decrease in Books and Supplies, and Services and Other Operating Expenses is due to carryover of unspent funds and one-time expenditures from prior year 2011/12.
- The District utility expenditures are projected to increase by 3.5%.
- Indirect Cost is budgeted at 6.96%.
- There is no projection for contribution to Deferred Maintenance. The Local Education Agency (LEA) contribution requirement flexibility is extended through 2014/15 (previously 2012/13) by SB 70.
- There is no Inter-fund Transfer Out for fiscal year 2012/13.
- The District is utilizing the flexibility provisions for Adult Education Revenue and Deferred Maintenance revenue allocations (Tier III flexible categorical programs)

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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- The Board of Education understands its fiduciary responsibility to maintain fiscal solvency. The purpose of the plan is to obtain the existing conditions and the opportunities the district has to align its budget with the change in fiscal resources that are available.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, at Newark Unified School District, 5715 Musick Avenue, Newark, California, 94560, or e-mail at eneilsen@newarkunified.org.

BASIC FINANCIAL STATEMENTS

NEWARK UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

**Governmental
Activities**

ASSETS

Cash and investments (Note 2)	\$ 10,551,860
Receivables	12,511,913
Prepaid expenditures	198,910
Stores inventory	98,917
Non-depreciable capital assets (Note 4)	2,084,146
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>71,291,256</u>
Total assets	<u>96,737,002</u>

LIABILITIES

Accounts payable	4,238,552
Deferred revenue	395,119
Long-term liabilities (Notes 5 and 8):	
Due within one year	4,004,510
Due after one year	<u>68,117,245</u>
Total liabilities	<u>76,755,426</u>

NET ASSETS

Invested in capital assets, net of related debt	4,235,488
Restricted (Note 6)	7,229,836
Unrestricted	<u>8,516,252</u>
Total net assets	<u>\$ 19,981,576</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
Governmental activities (Note 4):					
Instruction	\$ 34,220,649	\$ 465,228	\$ 6,055,926	\$ -	\$ (27,699,495)
Instruction-related services:					
Supervision of instruction	2,599,178	5,219	890,814	-	(1,703,145)
Instructional library, media and technology	465,655	442	257,711	-	(207,502)
School site administration	4,200,229	139,700	658,825	-	(3,401,704)
Pupil services:					
Home-to-school transportation	579,519	-	314,600	-	(264,919)
Food services	2,123,206	464,110	1,688,893	-	29,797
All other pupil services	2,250,718	3,851	725,127	-	(1,521,740)
General administration:					
Data processing	492,552	-	-	-	(492,552)
All other general administration	2,648,541	63,603	471,865	-	(2,113,073)
Plant services	6,369,956	21,733	30,656	-	(6,317,567)
Ancillary services	263,740	265	543	-	(262,932)
Community services	38,968	5	10	-	(38,953)
Other outgo	1,857,126	170,886	382,631	-	(1,303,609)
Interest on long-term liabilities	3,342,750	-	-	-	(3,342,750)
Total governmental activities	\$ 61,452,787	\$ 1,335,042	\$ 11,477,601	\$ -	(48,640,144)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					14,035,066
Taxes levied for debt service					5,234,089
Taxes levied for other specific purposes					1,537
Federal and state aid not restricted to specific purposes					28,237,016
Interest and investment earnings					53,732
Miscellaneous					1,142,247
Total general revenues					48,703,687
Change in net assets					63,543
Net assets, July 1, 2011					19,918,033
Net assets, June 30, 2012					\$ 19,981,576

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 3,444,769	\$ 4,619,442	\$ 1,382,055	\$ 9,446,266
Cash awaiting deposit	-	-	202	202
Cash in revolving fund	25,000	-	-	25,000
Cash on hand and in banks	174,209	-	44,755	218,964
Local Agency Investment Fund (LAIF)	190,909	-	553,919	744,828
Receivables	12,169,471	4,951	336,646	12,511,068
Prepaid expenditures	361	-	-	361
Stores inventory	78,597	-	20,320	98,917
Due from other funds	<u>212,696</u>	<u>-</u>	<u>110,685</u>	<u>323,381</u>
Total assets	<u><u>\$ 16,296,012</u></u>	<u><u>\$ 4,624,393</u></u>	<u><u>\$ 2,448,582</u></u>	<u><u>\$ 23,368,987</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,208,987	\$ -	\$ 25,599	\$ 3,234,586
Deferred revenue	395,119	-	-	395,119
Due to other funds	<u>50,685</u>	<u>-</u>	<u>272,696</u>	<u>323,381</u>
Total liabilities	<u>3,654,791</u>	<u>-</u>	<u>298,295</u>	<u>3,953,086</u>
Fund balances:				
Nonspendable	103,958	-	20,320	124,278
Restricted	837,099	4,624,393	2,129,967	7,591,459
Assigned	2,800,000	-	-	2,800,000
Unassigned	<u>8,900,164</u>	<u>-</u>	<u>-</u>	<u>8,900,164</u>
Total fund balances	<u>12,641,221</u>	<u>4,624,393</u>	<u>2,150,287</u>	<u>19,415,901</u>
Total liabilities and fund balances	<u><u>\$ 16,296,012</u></u>	<u><u>\$ 4,624,393</u></u>	<u><u>\$ 2,448,582</u></u>	<u><u>\$ 23,368,987</u></u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balances - Governmental Funds \$ 19,415,901

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used for governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds. The cost of the assets is \$125,207,285
and the accumulated depreciation is \$51,831,883 (Note 4). 73,375,402

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported as liabilities in the
governmental funds. Long-term liabilities at June 30, 2012
consisted of (Note 5):

General Obligation Bonds	\$ (56,050,274)	
Bond premiums	(673,232)	
Accreted interest	(12,915,796)	
Other postemployment benefits (OPEB) (Note 8)	(1,950,326)	
Compensated absences	<u>(532,127)</u>	
		(72,121,755)

In governmental funds, debt issue costs are recognized as
expenditures in the period they are incurred. In the
government-wide statements, debt issue costs are amortized
over the life of the debt. 198,549

In governmental funds, interest on long-term debt is not
recognized until the period in which it matures and is paid. In
the government-wide statement of activities, it is recognized in
the period it is incurred. (1,003,966)

Internal service funds are used to conduct certain activities for
which cost are charged to other funds on a full cost-recovery
basis. Net assets for the internal service fund are: 117,445

Total net assets - governmental activities \$ 19,981,576

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 19,961,458	\$ -	\$ -	\$ 19,961,458
Local sources	<u>14,035,067</u>	<u>-</u>	<u>-</u>	<u>14,035,067</u>
Total revenue limit	<u>33,996,525</u>	<u>-</u>	<u>-</u>	<u>33,996,525</u>
Federal sources	4,251,624	-	1,692,154	5,943,778
Other state sources	10,310,770	49,510	143,348	10,503,628
Other local sources	<u>4,597,323</u>	<u>5,195,396</u>	<u>1,233,514</u>	<u>11,026,233</u>
Total revenues	<u>53,156,242</u>	<u>5,244,906</u>	<u>3,069,016</u>	<u>61,470,164</u>
Expenditures:				
Certificated salaries	26,436,361	-	128,872	26,565,233
Classified salaries	7,666,862	-	1,192,214	8,859,076
Employee benefits	7,777,065	-	594,727	8,371,792
Books and supplies	1,627,223	-	820,708	2,447,931
Contract services and operating expenditures	5,386,656	-	372,502	5,759,158
Capital outlay	26,970	-	52,461	79,431
Other outgo	1,802,875	-	-	1,802,875
Debt service:				
Principal retirement	-	2,217,609	-	2,217,609
Interest	<u>-</u>	<u>2,850,029</u>	<u>-</u>	<u>2,850,029</u>
Total expenditures	<u>50,724,012</u>	<u>5,067,638</u>	<u>3,161,484</u>	<u>58,953,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,432,230</u>	<u>177,268</u>	<u>(92,468)</u>	<u>2,517,030</u>
Other financing sources (uses):				
Operating transfers in	276,508	-	50,685	327,193
Operating transfers out	<u>(50,685)</u>	<u>-</u>	<u>(276,508)</u>	<u>(327,193)</u>
Total other financing sources (uses)	<u>225,823</u>	<u>-</u>	<u>(225,823)</u>	<u>-</u>
Change in fund balances	2,658,053	177,268	(318,291)	2,517,030
Fund balances, July 1, 2011	<u>9,983,168</u>	<u>4,447,125</u>	<u>2,468,578</u>	<u>16,898,871</u>
Fund balances, June 30, 2012	<u>\$ 12,641,221</u>	<u>\$ 4,624,393</u>	<u>\$ 2,150,287</u>	<u>\$ 19,415,901</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

Net change in fund balances - Total Governmental Funds \$ 2,517,030

Amounts reported for governmental activities in the statement of activities are different because:

Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4). \$ 172,004

Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). (3,873,926)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5). 2,217,609

Accreted interest is an expense that is not reported in the governmental funds (Note 5). (623,441)

Internal service funds are used to conduct certain activities for which cost are charged to other funds on a full cost-recovery basis. Change in net assets for the internal service fund are: (54,251)

In governmental funds, bond premiums and debt issue costs are recognized as revenue and expenditures in the period they are incurred. In the government-wide statements, bond premiums and debt issue costs are amortized over the life of the debt (Note 5). (6,241)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. 183,128

In the statement of activities, expenses related to compensated absences and net OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 8). (468,369) (2,453,487)

Change in net assets of governmental activities \$ 63,543

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2012

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 109,307
Cash on hand and in banks	7,293
Receivables	<u>845</u>
Total assets	<u>117,445</u>

NET ASSETS

Net assets - restricted	<u><u>\$ 117,445</u></u>
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See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2012

Operating revenues:	
Self-insurance premiums	\$ 1,090,889
Other local revenue	<u>15</u>
Total operating revenues	<u>1,090,904</u>
Operating expenses:	
Contract services	<u>1,145,155</u>
Operating loss	(54,251)
Net assets, July 1, 2011	<u>171,696</u>
Net assets, June 30, 2012	<u><u>\$ 117,445</u></u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 1,177,445
Cash received from other revenue	15
Cash paid to suppliers	<u>(1,180,167)</u>
Net cash used in operating activities	(2,707)
Cash and investments, July 1, 2011	<u>119,307</u>
Cash and investments, June 30, 2012	<u><u>\$ 116,600</u></u>
Reconciliation of change in net assets to net cash used in operating activities:	
Operating loss	\$ (54,251)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in receivables	(471)
Decrease in due from other funds	87,027
Decrease in accounts payable	(12)
Decrease in due to other funds	<u>(35,000)</u>
Total adjustments	<u>51,544</u>
Net cash used in operating activities	<u><u>\$ (2,707)</u></u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

	<u>Student Body Funds</u>
ASSETS	
Cash on hand and in banks (Note 2)	<u>\$ 209,356</u>
LIABILITIES	
Due to student groups	<u>\$ 209,356</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newark Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Governing Board is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District and Newark Unified School District School Building Corporations 1 and 2 (the "Corporations") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporations as component units of the District. Therefore, the financial activities of the Corporations have been included as a blended component unit in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100* criteria:

A - Manifestations of Oversight

1. The Corporations' Governing Board are essentially the same as the District's Governing Board.
2. The Corporation has no employees. The District's Superintendent and Chief Business Official function as agents of the Corporations. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporations as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporations.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporations must have the consent of the District.
2. Any deficits incurred by the Corporations will be reflected in the lease payments of the District. Any surpluses of the Corporations revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporations.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporations.

C - Scope of Public Service and Financial Presentation

1. The Corporations were created for the sole purpose of financially assisting the District.
2. The Corporations are a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporations were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporations facilities. During the 2005-06, the title to the property leased to Corporations reverted to the District for no additional consideration upon the defeasance of the Certificates of Participation.
3. The Corporation's have had no financial activity and separate financial statements are not prepared for the Corporations.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate, include six fund types as follows:

A - Governmental Fund Types

1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The Special Reserve for Other Than Capital Outlay Fund has been combined with the General Fund for financial reporting purposes.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2. Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, and Deferred Maintenance.

3. Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Building, Capital Facilities, and Special Reserve for Capital Outlay Projects Funds.

4. Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption Fund.

All records relating to the Bond Interest and Redemption Fund are maintained by the Alameda County Auditor-Controller. The revenue for this fund is raised by school district taxes which are levied, collected, and administered by County officials. The Education Code stipulates that the tax rate levied shall be sufficient to provide monies for the payment of principal and interest as they become due on outstanding school district bonds.

B - Proprietary Fund

1. Self-Insurance Fund:

The Self-Insurance Fund is used to account for revenues and other financial transactions for the post-employment benefits.

C - Fiduciary Funds

1. Agency Funds - Student Body Funds:

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Both governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Stores Inventory

Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Cafeteria Food Purchases

Cafeteria purchases include food purchased through the State of California Office of Surplus Property, for which the District is required to pay only a handling charge. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The expenditures for these items would have been greater had the District paid fair market value for the government surplus food commodities.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired, with an original cost of \$10,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

Compensated Absences

Compensated absences totaling \$532,127 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

Deferred Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net assets restricted for special purposes. The restriction for debt service repayments represents the portion of net assets which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net assets restricted for capital projects. The restriction for self-insurance represents the portion of assets restricted for the payment of postemployment benefits. It's the Districts policy to use restricted net assets first when allowable expenditures are incurred.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted fund balances as reported in the government-wide fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2012, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2012, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance: (Continued)

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>			<u>Fiduciary Activities</u>
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>	
Pooled Funds:				
Cash in County Treasury	\$ 9,446,266	\$ 109,307	\$ 9,555,573	\$ -
Local Agency Investment Fund	<u>744,828</u>	<u>-</u>	<u>744,828</u>	<u>-</u>
Total pooled funds	<u>10,191,094</u>	<u>109,307</u>	<u>10,300,401</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	218,964	7,293	226,257	209,356
Cash awaiting deposit	202	-	202	-
Cash in revolving fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total deposits	<u>244,166</u>	<u>7,293</u>	<u>251,459</u>	<u>209,356</u>
Total cash and cash equivalents	<u>\$ 10,435,260</u>	<u>\$ 116,600</u>	<u>\$ 10,551,860</u>	<u>\$ 209,356</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2012, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Local Agency Investment Fund

Newark Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District'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 monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts were \$460,815, and the bank balances were \$457,585, all of which were fully insured.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 212,696	\$ 50,685
Non-Major Funds:		
Adult Education	-	11,771
Child Development	50,685	104,347
Cafeteria	-	96,578
Building	-	60,000
Capital Facilities	<u>60,000</u>	<u>-</u>
Totals	<u>\$ 323,381</u>	<u>\$ 323,381</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2011-2012 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund for deficit spending.	\$ 50,685
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	96,578
Transfer from the Child Development Fund to the General Fund for indirect costs.	44,347
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for reimbursement of costs.	128,812
Transfer from the Adult Education Fund to the General Fund for indirect costs.	<u>6,771</u>
	<u>\$ 327,193</u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Non-depreciable:				
Land	\$ 2,084,146	\$ -	\$ -	\$ 2,084,146
Work-in-process	277,924	85,728	363,652	-
Depreciable:				
Buildings and improvements	119,118,990	345,692	-	119,464,682
Furniture and equipment	<u>3,554,221</u>	<u>104,236</u>	<u>-</u>	<u>3,658,457</u>
Totals, at cost	<u>125,035,281</u>	<u>535,656</u>	<u>363,652</u>	<u>125,207,285</u>
Less accumulated depreciation:				
Buildings and improvements	(45,021,693)	(3,574,698)	-	(48,596,391)
Furniture and equipment	<u>(2,936,264)</u>	<u>(299,228)</u>	<u>-</u>	<u>(3,235,492)</u>
Total accumulated depreciation	<u>(47,957,957)</u>	<u>(3,873,926)</u>	<u>-</u>	<u>(51,831,883)</u>
Capital assets, net	<u>\$ 77,077,324</u>	<u>\$ (3,338,270)</u>	<u>\$ 363,652</u>	<u>\$ 73,375,402</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,345,568
Supervision of instruction	180,451
Library	32,328
Site administration	291,610
Home-to-school	40,235
Food services	147,407
All other pupil services	156,259
Ancillary services	18,312
Community services	2,704
All other general administration	183,880
Centralized data processing	34,195
Plant services	<u>440,977</u>
Total depreciation expense	<u>\$ 3,873,926</u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES

General Obligation Bonds

Series 2002:

In April 2002, the District issued Capital Appreciation Bonds, totaling \$31,501,495. Bond proceeds are being spent to construct, repair and expand local schools. The bonds bear interest at rates ranging from 3.0% to 5.84% and are scheduled to mature through February 2027 as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,203,584	\$ 791,416	\$ 1,995,000
2014	1,158,066	891,934	2,050,000
2015	1,118,173	991,827	2,110,000
2016	1,076,515	1,093,485	2,170,000
2017	1,118,131	1,331,869	2,450,000
2018-2022	4,991,035	8,363,965	13,355,000
2023-2027	<u>7,144,770</u>	<u>20,415,230</u>	<u>27,560,000</u>
	<u>\$ 17,810,274</u>	<u>\$ 33,879,726</u>	<u>\$ 51,690,000</u>

Refunding Bond, Series 2005:

In February 2005, the District issued General Obligation Refunding Bonds, totaling \$40,155,000. Bond proceeds are being spent to refund a portion of the Series 2000 General Obligation Bonds, and to construct, repair and expand local schools. The bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through August 2025 as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,535,000	\$ 1,618,101	\$ 3,153,101
2014	1,720,000	1,564,976	3,284,976
2015	1,920,000	1,496,476	3,416,476
2016	2,140,000	1,417,951	3,557,951
2017	2,100,000	1,335,826	3,435,826
2018-2022	14,305,000	5,138,880	19,443,880
2023-2026	<u>14,520,000</u>	<u>1,261,315</u>	<u>15,781,315</u>
	<u>\$ 38,240,000</u>	<u>\$ 13,833,525</u>	<u>\$ 52,073,525</u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 58,267,883	\$ -	\$ 2,217,609	\$ 56,050,274	\$ 2,738,584
Bond premiums	719,397	-	46,165	673,232	46,165
Accreted interest	12,292,355	1,825,831	1,202,390	12,915,796	791,417
Net OPEB obligation (Note 8)	1,485,476	1,214,979	750,129	1,950,326	-
Compensated absences	<u>528,608</u>	<u>3,519</u>	<u>-</u>	<u>532,127</u>	<u>428,344</u>
	<u>\$ 73,293,719</u>	<u>\$ 3,044,329</u>	<u>\$ 4,216,293</u>	<u>\$ 72,121,755</u>	<u>\$ 4,004,510</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on compensated absences and net OPEB liabilities are made from the fund for which the related employee worked.

6. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2012:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues and state programs	\$ 837,099
Restricted for special revenues	1,001,555
Restricted for debt service	4,624,393
Restricted for capital projects	649,344
Restricted for self-insurance	<u>117,445</u>
Total restricted net assets	<u>\$ 7,229,836</u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ 25,000
Prepaid expenditures	361	-	-	361
Stores inventory	<u>78,597</u>	<u>-</u>	<u>20,320</u>	<u>98,917</u>
Subtotal nonspendable	<u>103,958</u>	<u>-</u>	<u>20,320</u>	<u>124,278</u>
Restricted:				
Unspent categorical revenues	837,099	-	-	837,099
Adult education	-	-	31,225	31,225
Child development	-	-	561	561
Capital projects	-	-	1,148,732	1,148,732
Food service operations	-	-	914,437	914,437
Deferred maintenance	-	-	35,012	35,012
Debt service	<u>-</u>	<u>4,624,393</u>	<u>-</u>	<u>4,624,393</u>
Subtotal restricted	<u>837,099</u>	<u>4,624,393</u>	<u>2,129,967</u>	<u>7,591,459</u>
Assigned:				
Reserve for potential revenue limit reductions	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
Unassigned:				
Designated for economic uncertainty	6,572,397	-	-	6,572,397
Undesignated	<u>2,327,767</u>	<u>-</u>	<u>-</u>	<u>2,327,767</u>
Subtotal unassigned	<u>8,900,164</u>	<u>-</u>	<u>-</u>	<u>8,900,164</u>
Total fund balances	<u><u>\$ 12,641,221</u></u>	<u><u>\$ 4,624,393</u></u>	<u><u>\$ 2,150,287</u></u>	<u><u>\$ 19,415,901</u></u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$910,888 \$923,892 and \$855,629, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$2,452,621, \$2,242,845 and \$2,156,443, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note 7, the District provides postemployment health care benefits, in accordance with District employment contracts, to all eligible employees who retire from the District. Retired employees are eligible to receive benefits:

Certificated Employees

Certificated employees may retire and receive District-paid contributions towards healthcare upon attainment of age 55 and 15 years of service, but not later than age 60. The District pays \$850 per year towards health insurance premiums for a retiree until age 65, at which time benefits cease except for the CalPERS Health ("PEMHCA") statutory minimum.

Classified Employees

Retirees are eligible to receive benefits:

1. Until age 70 if they were hired prior to January 1, 1997, and attaining age 55 with at least 15 years of service, or
2. Until age 67 if they were hired between January 1, 1977 and August 31, 2004, and retired no later than age 65 with at least 15 years of service, or
3. Until age 65 if they were hired on or after September 1, 2004, attaining age 60 with at least 15 years of service.
4. In addition, they must submit a letter of intent of retirement to the Human Resources Department 90 days prior to the retirement date.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

Management/Confidential/Supervisory

Employees whose original appointment into a Management Group position was approved by the Board before July 1, 1992, may retire and receive District-paid contributions towards healthcare upon completion of 10 cumulative years of service in a Management Group position, resignation from the District for the reason of retirement, and attainment of eligibility to retire under the provisions of PERS or STRS. District-paid benefits are limited to the least expensive health benefit plan offered that year to full time current Management Group employees with the same level of coverage (e.g. single or family), and end at age 70 except for the PEMHCA statutory minimum contribution. Management employees hired into Classified or Certificated positions with the District prior to July 1, 1992, and promoted to management after that date, will be entitled to benefits according to the rules of their original bargaining unit. Management employees whose original date of hire with the District was on or after July 1, 1992 are not eligible to enroll in the District's plans by paying any required premiums.

PEMHCA Statutory Minimum Contribution

The District's minimum contribution on behalf of all retirees covered by PEMHCA is based on PERS' "Unequal Contribution Method", equal 5 percent of the statutory minimum (\$105/month for 2010 and \$108/month for 2011) multiplied by the number of years the District has participated in PEMHCA. This amount is \$32.40/month for 2011. Any retiree participating in PEMHCA but not otherwise receiving a District retiree health contribution is entitled to receive lifetime District-paid statutory minimum contributions. The District also pays a 0.43 percent of premium administrative fee to PERS on behalf of all employees and retirees of the District covered under PEMHCA.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based in the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,237,338
Interest on net OPEB obligation	74,274
Adjustment to annual required contribution	<u>(96,633)</u>
Annual OPEB cost (expense)	1,214,979
Contributions made	<u>(750,129)</u>
Increase in net OPEB obligation	464,850
Net OPEB obligation - beginning of year	<u>1,485,476</u>
Net OPEB obligation - end of year	<u><u>\$ 1,950,326</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 1,137,050	55.0%	\$ 1,054,807
June 30, 2011	\$ 1,221,461	64.7%	\$ 1,485,476
June 30, 2012	\$ 1,214,979	61.7%	\$ 1,950,326

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$10,822,746, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,822,746. The covered payroll (annual payroll of active employees covered by the Plan) was \$35,424,309, and the ratio of the UAAL to the covered payroll was 30.5 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), on the employer's own investments, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 4 years. Both rates included a 5.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 26 years.

See required supplementary information following the notes to the basic financial statements.

9. JOINT POWERS AGREEMENT

The District is a member with other school districts in two joint powers agencies, Alameda County Schools Insurance Group (ACSIG) and Northern California ReLIEF (NorCal ReLIEF).

ACSIG arranges for and provides workers' compensation insurance for its members. NorCal ReLIEF provides property and liability and health programs for its member districts.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9. JOINT POWERS AGREEMENT (Continued)

The following is a summary of the most current financial information available of ACSIG and NorCal ReLIEF for the years ended:

	June 30, 2012 <u>ACSIG</u>	June 30, 2011 NorCal <u>ReLIEF</u>
Total assets	\$ 34,358,137	\$ 60,461,646
Total liabilities	\$ 45,578,070	\$ 34,033,515
Total net assets	\$ (11,219,933)	\$ 26,428,131
Total revenues	\$ 132,350,942	\$ 37,118,988
Total expenses	\$ 128,604,274	\$ 36,392,464
Change in net assets	\$ 3,746,668	\$ 726,524

10. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

11. SUBSEQUENT EVENTS

General Obligation Bonds

On July 31, 2012, the District issued \$15,000,000 of General Obligation Bonds. The General Obligation Bonds, Election of 2011, Series A have interest rates ranging from 3.375% to 5.000% and mature on August 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

NEWARK UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ 19,837,567	\$ 19,577,760	\$ 19,961,458	\$ 383,698
Local sources	<u>14,525,019</u>	<u>14,399,511</u>	<u>14,035,067</u>	<u>(364,444)</u>
Total revenue limit	<u>34,362,586</u>	<u>33,977,271</u>	<u>33,996,525</u>	<u>19,254</u>
Federal sources	2,492,270	4,781,671	4,251,624	(530,047)
Other state sources	10,061,265	9,930,533	10,310,770	380,237
Other local sources	<u>3,817,125</u>	<u>4,928,916</u>	<u>4,597,323</u>	<u>(331,593)</u>
Total revenues	<u>50,733,246</u>	<u>53,618,391</u>	<u>53,156,242</u>	<u>(462,149)</u>
Expenditures:				
Certificated salaries	26,297,796	26,806,637	26,436,361	370,276
Classified salaries	7,934,563	8,029,959	7,666,862	363,097
Employee benefits	8,016,043	8,084,716	7,777,065	307,651
Books and supplies	1,038,301	2,442,624	1,627,223	815,401
Contract services and operating expenditures	6,158,297	6,820,279	5,386,656	1,433,623
Capital outlay	-	28,700	26,970	1,730
Other outgo	<u>1,131,257</u>	<u>1,628,462</u>	<u>1,802,875</u>	<u>(174,413)</u>
Total expenditures	<u>50,576,257</u>	<u>53,841,377</u>	<u>50,724,012</u>	<u>3,117,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,989</u>	<u>(222,986)</u>	<u>2,432,230</u>	<u>2,655,216</u>
Other financing sources (uses):				
Operating transfers in	149,890	278,863	276,508	(2,355)
Operating transfers out	<u>(133,106)</u>	<u>(25,888)</u>	<u>(50,685)</u>	<u>(24,797)</u>
Total other financing sources (uses)	<u>16,784</u>	<u>252,975</u>	<u>225,823</u>	<u>(27,152)</u>
Change in fund balance	173,773	29,989	2,658,053	2,628,064
Fund balance, July 1, 2011	<u>9,983,168</u>	<u>9,983,168</u>	<u>9,983,168</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 10,156,941</u>	<u>\$ 10,013,157</u>	<u>\$ 12,641,221</u>	<u>\$ 2,628,064</u>

See accompanying notes to required supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2012

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	July 1, 2008	\$ -	\$ 9,304,504	\$ 9,304,504	0%	\$ 40,672,406	22.9%
6/30/2011	July 1, 2010	\$ -	\$ 10,822,746	\$ 10,822,746	0%	\$ 37,351,523	29.0%
6/30/2012	July 1, 2010	\$ -	\$ 10,822,746	\$ 10,822,746	0%	\$ 35,424,309	30.5%

See accompanying notes to required supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

NEWARK UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2012

ASSETS

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
Cash in County Treasury	\$ 5,955	\$ 15,035	\$ 730,415	\$ 34,970	\$ 6,427	\$ 458,465	\$ 130,788	\$ 1,382,055
Collections awaiting deposit	-	202	-	-	-	-	-	202
Cash on hand and in bank	-	17,383	20,597	-	-	6,775	-	44,755
LAIF	-	-	-	-	552,902	-	1,017	553,919
Receivables	38,595	21,603	275,662	42	9	572	163	336,646
Stores inventory	-	-	20,320	-	-	-	-	20,320
Due from other funds	-	50,685	-	-	-	60,000	-	110,685
Total assets	<u>\$ 44,550</u>	<u>\$ 104,908</u>	<u>\$ 1,046,994</u>	<u>\$ 35,012</u>	<u>\$ 559,338</u>	<u>\$ 525,812</u>	<u>\$ 131,968</u>	<u>\$ 2,448,582</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:								
Accounts payable	\$ 1,554	\$ -	\$ 15,659	\$ -	\$ -	\$ 8,386	\$ -	\$ 25,599
Due to other funds	<u>11,771</u>	<u>104,347</u>	<u>96,578</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>272,696</u>
Total liabilities	<u>13,325</u>	<u>104,347</u>	<u>112,237</u>	<u>-</u>	<u>60,000</u>	<u>8,386</u>	<u>-</u>	<u>298,295</u>
Fund balances								
Nonspendable	-	-	20,320	-	-	-	-	20,320
Restricted	<u>31,225</u>	<u>561</u>	<u>914,437</u>	<u>35,012</u>	<u>499,338</u>	<u>517,426</u>	<u>131,968</u>	<u>2,129,967</u>
Fund balances	<u>31,225</u>	<u>561</u>	<u>934,757</u>	<u>35,012</u>	<u>499,338</u>	<u>517,426</u>	<u>131,968</u>	<u>2,150,287</u>
Total liabilities and fund balances	<u>\$ 44,550</u>	<u>\$ 104,908</u>	<u>\$ 1,046,994</u>	<u>\$ 35,012</u>	<u>\$ 559,338</u>	<u>\$ 525,812</u>	<u>\$ 131,968</u>	<u>\$ 2,448,582</u>

NEWARK UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2012

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:								
Federal sources	\$ 42,639	\$ -	\$ 1,649,515	\$ -	\$ -	\$ -	\$ -	\$ 1,692,154
Other state sources	-	-	143,348	-	-	-	-	143,348
Other local sources	58,272	650,560	506,190	146	1,523	16,011	812	1,233,514
Total revenues	100,911	650,560	2,299,053	146	1,523	16,011	812	3,069,016
Expenditures:								
Certificated salaries	72,298	56,574	-	-	-	-	-	128,872
Classified salaries	50,423	356,458	785,333	-	-	-	-	1,192,214
Employee benefits	32,180	205,375	357,172	-	-	-	-	594,727
Books and supplies	16,573	920	803,215	-	-	-	-	820,708
Contract services and operating expenditures	14,152	37,010	66,327	-	1,677	96,508	156,828	372,502
Capital outlay	-	-	23,309	-	29,152	-	-	52,461
Total expenditures	185,626	656,337	2,035,356	-	30,829	96,508	156,828	3,161,484
(Deficiency) excess of revenues (under) over expenditures	(84,715)	(5,777)	263,697	146	(29,306)	(80,497)	(156,016)	(92,468)
Other financing sources (uses):								
Operating transfers in	-	50,685	-	-	-	-	-	50,685
Operating transfers out	(6,771)	(44,347)	(96,578)	-	-	-	(128,812)	(276,508)
Total other financing sources (uses)	(6,771)	6,338	(96,578)	-	-	-	(128,812)	(225,823)
Net change in fund balances	(91,486)	561	167,119	146	(29,306)	(80,497)	(284,828)	(318,291)
Fund balances, July 1, 2011	122,711	-	767,638	34,866	528,644	597,923	416,796	2,468,578
Fund balances, June 30, 2012	\$ 31,225	\$ 561	\$ 934,757	\$ 35,012	\$ 499,338	\$ 517,426	\$ 131,968	\$ 2,150,287

NEWARK UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2012</u>
Student Body Funds				
<u>Newark Memorial High School</u>				
Assets:				
Cash on hand and in banks	\$ 105,436	\$ 485,731	\$ 506,659	\$ 84,508
Liabilities:				
Due to student groups	\$ 105,436	\$ 485,731	\$ 506,659	\$ 84,508
<u>Bridgepoint High School</u>				
Assets:				
Cash on hand and in banks	\$ 2,011	\$ 5,630	\$ 5,589	\$ 2,052
Liabilities:				
Due to student groups	\$ 2,011	\$ 5,630	\$ 5,589	\$ 2,052
<u>Newark Junior High School</u>				
Assets:				
Cash on hand and in banks	\$ 35,521	\$ 85,550	\$ 78,429	\$ 42,642
Liabilities:				
Due to student groups	\$ 35,521	\$ 85,550	\$ 78,429	\$ 42,642
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 99,422	\$ 315,611	\$ 334,879	\$ 80,154
Liabilities:				
Due to student groups	\$ 99,422	\$ 315,611	\$ 334,879	\$ 80,154
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ 242,390	\$ 892,522	\$ 925,556	\$ 209,356
Liabilities:				
Due to student groups	\$ 242,390	\$ 892,522	\$ 925,556	\$ 209,356

NEWARK UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

Newark Unified School District, a political subdivision of the State of California, was established in 1964. The District operates eight elementary schools (grades K-6), one middle school (grades 7-8), one high school (grades 9-12), one independent study school, one continuation school and one adult education center. There were no changes to District boundaries for the current year.

GOVERNING BOARD

Name	Office	Term Expires
Ray Rodriguez	President	2012
Jan Crocker	Vice President	2012
Janice Schaefer	Member	2012
Nancy Thomas	Member	2014
Charlie Mensinger	Member	2014

ADMINISTRATION

Dr. Dave Marken, Ed.D.
Superintendent

Elaine Neilsen
Chief Business Official

Dr. Cecelia Greenberg-English, Ed.D.
Senior Director
Educational Services

Timothy Erwin
Senior Director
Human Resources

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	504	513
First through Third	1,433	1,428
Fourth through Eighth	2,277	2,268
Home and Hospital	2	3
Special Education	<u>135</u>	<u>153</u>
Total Elementary	<u>4,351</u>	<u>4,365</u>
Secondary:		
Regular Classes	1,857	1,845
Home and Hospital	1	
Special Education	54	53
Continuation Education	<u>90</u>	<u>88</u>
Total Secondary	<u>2,002</u>	<u>1,986</u>
	<u><u>6,353</u></u>	<u><u>6,351</u></u>

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2012

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>Statutory 1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>							
Kindergarten	36,000	35,000	31,500	30,625	42,000	175	In Compliance
Grade 1	50,400	49,000	41,780	40,619	54,093	175	In Compliance
Grade 2	50,400	49,000	41,780	40,619	54,093	175	In Compliance
Grade 3	50,400	49,000	41,780	40,619	54,093	175	In Compliance
Grade 4	54,000	52,500	54,000	52,500	54,093	175	In Compliance
Grade 5	54,000	52,500	54,000	52,500	54,093	175	In Compliance
Grade 6	54,000	52,500	54,000	52,500	54,093	175	In Compliance
Grade 7	54,000	52,500	54,000	52,500	54,070	175	In Compliance
Grade 8	54,000	52,500	54,000	52,500	54,070	175	In Compliance
Grade 9	64,800	63,000	64,800	63,000	69,076	175	In Compliance
Grade 10	64,800	63,000	64,800	63,000	69,076	175	In Compliance
Grade 11	64,800	63,000	64,800	63,000	69,076	175	In Compliance
Grade 12	64,800	63,000	64,800	63,000	69,076	175	In Compliance

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education- Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	\$ 1,001,387
84.027	Special Ed IDEA: Basic and Local Assistance Private School ISP	10115	22,585
84.027A	Special Ed IDEA: Mental Health Services Part B, Sec 611	14468	99,719
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	89,946
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	53,640
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	362
84.391	Special Ed IDEA: ARRA, Basic and Local Assistance Entitlement, Part B, Sec 611	15003	19,787
84.391	Special Ed IDEA: ARRA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	15002	3,555
84.392	Special Ed: IDEA: ARRA, Preschool Grants, Part B, Section 619 (Age 3-5)	15000	<u>5,730</u>
	Subtotal Special Education Cluster		<u>1,296,711</u>
	Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	814,316
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14956	75,671
84.389	NCLB: ARRA, Title I, Part A, Basic Grants Low-Income and Neglected	15005	<u>40,202</u>
	Subtotal Title I Cluster		<u>930,189</u>
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology	14334	533
84.330	Advanced Placement Testing	14831	5,202
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	228,866
84.365	NCLB: Title III, Limited English Proficiency	14346	193,887
84.002A	Adult Education: Adult Basic Education and ESL	14508	42,639
84.048	Vocational Programs: Voc and Applied Tech Secondary IIC, Sec 131 (Carl Perkins Act)	14894	35,131

(Continued)

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2012

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education- Passed through California Department of Education (Continued)</u>			
84.186	NCLB: Title IV, Part A, Safe and Drug Free Schools and Communities, Formula Grants	14347	\$ 883
84.410	Education Jobs Fund	25152	<u>1,306,703</u>
Total U.S. Department of Education			<u>4,040,744</u>
<u>U.S. Department of Health and Human Services- Passed through California Department of Education</u>			
93.778	Medi-Cal Administrative Activities (MAA)	10060	233,011
93.778	DHCS: Medi-Cal Billing Options	10013	<u>56,663</u>
Total U.S. Department Health and Human Services			<u>289,674</u>
<u>U.S. Department of Agriculture- Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs (NSL Sec II)	13396	<u>1,649,515</u>
Total Federal Programs			<u><u>\$ 5,979,933</u></u>

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2012

(UNAUDITED)

	(Budget) <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 50,879,429	\$ 53,432,750	\$ 57,088,419	\$ 54,804,520
Expenditures	53,903,882	50,724,012	51,925,724	55,957,867
Other uses and transfers out	<u>50,685</u>	<u>50,685</u>	<u>50,685</u>	<u>322,418</u>
Total outgo	<u>53,903,882</u>	<u>50,774,697</u>	<u>51,925,724</u>	<u>56,280,285</u>
Change in fund balance	\$ (3,024,453)	\$ 2,658,053	\$ 5,162,695	\$ (1,475,765)
Ending fund balance	<u>\$ 9,616,768</u>	<u>\$ 12,641,221</u>	<u>\$ 9,983,168</u>	<u>\$ 4,820,473</u>
Available reserves	<u>\$ 5,878,348</u>	<u>\$ 8,900,164</u>	<u>\$ 8,564,626</u>	<u>\$ 1,956,455</u>
Designated for economic uncertainties	<u>\$ 5,677,684</u>	<u>\$ 6,572,397</u>	<u>\$ 6,597,128</u>	<u>\$ 1,956,455</u>
Undesignated fund balance	<u>\$ 200,664</u>	<u>\$ 2,327,767</u>	<u>\$ 1,967,498</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>10.9%</u>	<u>17.5%</u>	<u>16.5%</u>	<u>3.5%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 83,117,245</u>	<u>\$ 72,121,755</u>	<u>\$ 73,293,719</u>	<u>\$ 74,344,077</u>
Average daily attendance at P-2, excluding Adult School and ROP	<u>6,226</u>	<u>6,353</u>	<u>6,414</u>	<u>6,599</u>

The General Fund fund balance has increased by \$6,344,983 over the past three years. The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating deficit during the 2012-2013 fiscal year. The fiscal year 2012-2013 budget projects an decrease of \$3,024,453. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2012, the District has met this requirement.

Total long-term liabilities have decreased by \$2,222,322 over the past two years.

Average daily attendance has decreased by 246 over the past two years. The District anticipates a decrease of 127 ADA for the 2012-2013 fiscal year.

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2012

Charter Schools Chartered by District

There are currently no charter schools in the District.

**Included in District
Financial Statements, or
Separate Report**

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 5,943,778
Add: Medi-Cal Billing Funds spent from prior year awards	93.778	<u>36,155</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 5,979,933</u>

NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
(Continued)

1. PURPOSE OF SCHEDULES (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2012-2013 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2012, the District did not adopt this program.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Audit Committee and Board of Education
 Newark Unified School District
 Newark, California

We have audited the compliance of Newark Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Newark Unified School District's management. Our responsibility is to express an opinion on Newark Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Newark Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Newark Unified School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	3	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below

We did not perform any procedures related to Independent Study as the ADA was below the materiality threshold for testing requirements.

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

The District does not operate a Juvenile Court Schools Program; therefore, we did not perform any procedures related to the program.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the district has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program-Before school because the District does not operate a Before School program.

The District does not have any Charter Schools; therefore, we did not perform any of the testing required by Article 4 of the Audit Guide.

In our opinion, Newark Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. Further, based on our examination, for items not tested, nothing came to our attention to indicate the Newark Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

INDEPENDENT AUDITORS' 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

Audit Committee and Board of Education
Newark Unified School District
Newark, California

We have audited the financial statements of Newark Unified School District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Newark Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Newark Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newark Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Newark Unified School District'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 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. However, we identified certain matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newark Unified School District'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*.

Newark Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Board of Education, management, the California Department of Education, the California State Controller's Office 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Audit Committee and Board of Education
Newark Unified School District
Newark, California

Compliance

We have audited Newark Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Newark Unified School District's major federal programs for the year ended June 30, 2012. Newark Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Newark Unified School District's management. Our responsibility is to express an opinion on Newark Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newark Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Newark Unified School District's compliance with those requirements.

As described in Finding 2012-02 in the accompanying Schedule of Audit Findings and Questioned Costs, Newark Unified School District did not comply with requirements regarding Section 1512 quarterly reporting that is applicable to its Education Jobs Funds Act (SB 847). Compliance with such requirements is necessary, in our opinion, for Newark Unified School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Newark Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Newark Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newark Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newark Unified School District's internal control over compliance.

A deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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. However, as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-02, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Newark Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Audit Committee, Board of Education, management, the California Department of Education, the California State Controller's Office 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 13, 2012

FINDINGS AND RECOMMENDATIONS

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? X Yes _____ None reported

Type of auditors' report issued on compliance for
major programs: Qualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? X Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410	Education Jobs Fund (SB 847)
10.555	Child Nutrition: School Programs (NSL Sec II)

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of auditors' report issued on compliance for
state programs: Unqualified

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

Education Code Section 48930 and California Department of Education's ("Accounting Procedures for Student Organization Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

Lincoln Elementary School:

- Sub-receipts are not issued to individuals during the initial collection of cash.
- Deposits of money to the main office are not properly supported by detail defining the number of items receipted and the unit price per item included in the receipt.

Bridgepoint Continuation High School:

- Monthly financial statements are not prepared for each student organization

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures surrounding ASB accounts have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

The District should implement and enforce internal controls, including:

- Sub-receipt books or other supporting documentation should be used to record the initial receipt of cash.
- Cash deposited at the main office should be supported by detail defining the number of items receipted and the unit price per item included in the receipt.
- Monthly financial statements should be prepared for each student organization.

Corrective Action Plan

The District has a student body procedures manual that is provided to all school sites. In addition to continuous student body training, the District has implemented an annual student body accounting workshop. The District will continue to conduct interim reviews to ensure compliance with requirements. Site administration is committed to, and will be accountable for implementing the necessary changes. District administration will monitor the process for resolution and corrective action implementation.

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2012-02 SIGNIFICANT DEFICIENCY - FEDERAL COMPLIANCE - REPORTING (50000) -
CFDA 84.410 - EDUCATION JOBS FUNDS (SB 847)**

Criteria

Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding be recipients no later than the 10th day after the end of each quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter.

Condition

The District has not submitted its Section 1512 quarterly reports on the use of Recovery Act fund for the first, second and third quarters.

Effect

The District is out of compliance with the Federal Circulars.

Cause

Adequate internal control procedures have not been implemented and enforced to ensure the Section 1512 quarterly reports are prepared and submitted.

Fiscal Impact

Not applicable.

Recommendation

The District should prepare and submit the Section 1512 reports for the first, second and third as required by Federal Circulars.

Corrective Action Plan

The District subsequently prepared and submitted the Section 1512 reports for the first, second, third and fourth quarters.

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

NEWARK UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2011-01 At Lincoln Elementary School, fundraising approval forms are not consistently being used to approve revenue-producing activities. We recommend the District stress the importance of effective controls over student body accounts and that interim reviews are performed to ensure compliance with the requirement.	Partially implemented.	See current year finding 2012-01.
2011-02 At Milani Elementary School, a student was improperly counted as present for one day. The District should revise and resubmit the Second Period Report of Attendance removing the disallowed ADA.	Implemented.	