

NEWARK UNIFIED SCHOOL DISTRICT
Newark, California

FINANCIAL STATEMENTS
June 30, 2013

NEWARK UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise Newark Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for Newark Unified School District's fiscal year ended June 30, 2014, with earlier application being encouraged. Newark Unified School District has implemented this Statement retroactively for the year ended June 30, 2013 resulting in restated net position at July 1, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 13 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 49 and 50 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newark Unified School District's 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 the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents 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. Such information, 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 expenditures of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected 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 them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of Newark Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newark Unified School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 6, 2013

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

This section of Newark Unified School District's 2012-2013 annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section. Analysis has been included in these financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement 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 blended 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, 2013

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position 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 position and changes in it. Net position is 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 position is 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 Position 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 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.

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 a separate *Statement of Fiduciary Net Position*. 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 Position

The District's net position was \$16,970,078 and \$19,981,576 for the fiscal years ended June 30, 2013 and 2012, respectively. Of this amount, \$8,141,853 and \$8,516,252 were unrestricted for each respective year. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the restricted components of net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2013	2012
Current and other assets	\$ 39,114,369	\$ 23,361,600
Capital assets, net	70,693,166	73,375,402
Total assets	109,807,535	96,737,002
Deferred loss from funding of debt	2,145,401	0
Current liabilities	6,832,809	8,638,181
Long-term debt	88,150,049	68,117,245
Total liabilities	94,982,858	76,755,426
Net position		
Net investment in capital assets	(1,476,140)	4,235,488
Restricted	10,304,365	7,299,836
Unrestricted	8,141,853	8,516,252
Total Net Position	\$ 16,970,078	\$ 19,981,576

The \$8,141,853 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Changes in Net Position

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	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 1,251,926	\$ 1,335,042
Operating grants and contributions	10,267,645	11,477,601
General revenues:		
Federal and State sources not restricted	26,249,775	28,237,016
Property taxes	23,620,298	19,270,692
Other general revenues	2,207,772	1,195,979
Total Revenues	63,597,416	61,516,330
Expenses		
Instruction related	43,369,179	41,485,711
Pupil Service	5,420,830	4,953,443
General administration	3,091,512	3,141,093
Maintenance and Operations	6,785,070	6,369,956
Other	7,743,774	5,502,584
Total Expenses	66,410,365	61,452,787
Net Position as of June 30	\$ 16,970,078	\$ 19,783,027

Governmental Activities

As illustrated in Table 2 above, the cost of all of the District's governmental activities was \$66,410,365 and \$61,452,787 for 2013 and 2012, respectively. However, the amount that the taxpayers ultimately financed for these activities through local taxes was only \$23,620,298 and \$19,270,692 for 2013 and 2012, respectively, because the cost was paid by those who benefited from the programs (\$1,251,926 and \$1,335,042 for 2013 and 2012, respectively) or by other governments and organizations who subsidized certain programs with grants and contributions (\$10,267,645 and \$11,477,601 for 2013 and 2012, respectively). The District paid for the remaining "public benefit" portion of its governmental activities with \$26,249,775 and \$28,237,016 for 2013 and 2012, respectively, in taxes through revenue limit sources, \$1,195,979 and \$2,207,772 for 2013 and 2012, respectively, with other revenues, like interest and general entitlements.

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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	
	2013	2012
Instruction	\$ 29,863,050	\$ 27,699,495
Instruction related activities	6,219,392	5,312,351
Pupil services	2,307,991	1,756,862
General administration	2,565,396	2,605,625
Plant services and construction	6,707,288	6,317,567
Ancillary and community services	1,565,879	301,885
Other	5,661,798	4,646,359
Totals	\$ 54,890,794	\$ 48,640,144

THE DISTRICT'S FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of \$33,907,403, which is an increase of \$14,491,502 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 decrease of \$1,619,865.
- b. The Bond Interest and Redemption Fund had a net increase of \$2,886,304
- c. The Building fund had a net increase of \$13,108,069.

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 2013. 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 51.

- Significant revenue revisions made to the 2012-13 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.
- 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.

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$70,693,166 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 \$2,682,236 or 3.7 percent, from last year.

Table 4

	Governmental Activities	
	2013	2012
Land	\$ 2,084,146	\$ 2,084,146
Work in progress	389,938	0
Buildings and improvements	120,073,272	119,464,682
Equipment	3,211,167	3,658,457
Totals	125,758,523	125,207,285
Less Accumulated Depreciation	(55,065,357)	(51,831,883)
Total Assets after Depreciation	\$ 70,693,166	\$ 73,375,402

This year's additions of \$1,083,672 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 \$85,776,713 in bonds outstanding versus \$69,639,302 last year, the increase due to the sale of \$15,000,000 of Measure G Bonds in July 2012. Measure G was approved by the voters in November, 2011. Other obligations include accumulated vacation and capital leases.

Long-term obligations consisted of:

Table 5

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 85,337,882	\$ 68,966,070
Add: Bond Premium	438,831	673,232
Subtotal	85,776,713	69,639,302
Accumulated vacation	404,156	532,127
OPEB Liability	1,969,180	1,950,326
Totals	\$ 88,150,049	\$ 72,121,755

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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, 2013

<u>Series</u>	<u>Delivery Date</u>	<u>Original Principal Amount</u>	<u>Principal Outstanding</u>
Series D – Election of 1997	04/30/02	\$ 31,501,495	\$ 16,606,690
2005 Refunding - Series A, B & C	02/09/05	\$ 40,155,000	\$ 3,640,000
Series A – Election of 2011	07/31/12	\$ 15,000,000	\$ 15,000,000
2012 Refunding of 2005 Refunding	12/20/12	\$ 36,275,000	\$ 36,275,000

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 \$85,776,713 is below this limit.

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

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-13 ARE NOTED BELOW:

- NUSD met all requirements for textbook sufficiency and compliance
- NUSD successfully met Williams requirements at the two Williams sites, Schilling Elementary and Graham Elementary
- Though more than two-thirds of school districts in California overall had base to growth decreases in State API, with over one-third showing a decrease of 10 or more API points, NUSD gained 10 API points in 2013.
- Five of NUSD's eight elementary schools now have over 800 on the State API, which is the state target.
- NMHS gained 15 API points in 2013 and Bridgepoint gained 45 points, with a net two-year gain in API of 80 points.
- There were several double-digit gains in API in 2013: The district as a whole, 10 points; NMHS 15 points; Snow Elementary 24 points; Bunker Elementary 30 points; Kennedy Elementary 32 points; Graham Elementary 45 points; Bridgepoint 45 points.
- API gains for significant groups included: 10 API points for African American students, 11 points for Asian students, 10 points for Hispanic/Latino students, 4 for White students, 19 for students of two or more races, 21 points for economically disadvantaged students, and 6 points for English learners

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

- Federal accountability in ELA increased from 54.6% proficient and advanced to 55.7%; in mathematics the district increased from 62.9% proficient and advanced to 64.6%.
- District-wide initiatives to support all learners
 - Focus on College and Career Readiness for all students:
 - Naviance program
 - PSAT Testing Grade 10
 - SAT Prep for all students in Grades 10 and 11
- Common Core State Standards Rollout
- Mathematics Coach for 7-12 Common Core
- Redesigned ELA Strategic Support Classes
- Elementary Focus:
 - Literacy
 - Writing
 - Non-Fiction Text
- One hundred and eighty English learners in grade one, two and three participated in a 4 week ELD intensive summer program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-14 year, the District Board and management used the following criteria:

Revenue:

- Enrollment is projected at 6,458 for 2013-14 which is a decline of 36 pupils from 2012-13.
- Average Daily Attendance ("ADA") is projected at 6,200.28. This is equivalent to 96 % 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 2012-13 Period 2 ADA of 6,239.15 in developing the 2013-14 Proposed Budget.
- The Statutory COLA for 2013-14 is 1.565% with Revenue Limit Deficit of 18.997% base on the Governor's May Revision. The Base Revenue Limit per ADA without the Deficit is \$6,824.91.
- Federal Categorical Program revenues are projected without COLA. The net decrease in Federal Categorical Program in 2013-14 is due to the elimination of carryover of unspent 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.

NEWARK UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

- 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 \$124.00 for unrestricted and \$30.00 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 2013-14. 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 0.25%, as per 2012-13 3rd Quarter interest report from Alameda County Office of Education.
- Miscellaneous local revenues are projected to be stable for 2013-14.
- The District's miscellaneous donations will be budgeted upon the receipt of funds.
- Carryover of any unspent funds from prior year 2012-13 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 \$1,250,000, transferred from the Special Revenue (17) Fund.

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 2013-14.
- The cost of 1% of General Fund salaries and benefits is \$412,768 (NTA \$292,001, CSEA \$66,747, NEWMA \$54,020).
- 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	0.20%
Workers Compensation	2.43%	Retiree Benefits	2.30%

NEWARK UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

- State Unemployment Insurance rate is budgeted at a decrease of 0.51% for the 2013-14 fiscal year.
- The District Workers Compensation rate is budgeted at an increase of .08% for the 2013-14 fiscal year.
- Retiree Benefits were increase 1.12% to address rising OPEB liability.
- 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	26:1	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 2012-13
- The District utility expenditures are projected to increase by 1.0%.
- Indirect Cost is budgeted at 5.16%.
- 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.
- Inter-fund Transfers-Out from the General Fund will be \$100,000, transferred to the Adult Education (11) Fund.
- The District is utilizing the flexibility provisions for Adult Education Revenue and Deferred Maintenance revenue allocations (Tier III flexible categorical programs)
- 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 POSITION

June 30, 2013

**Governmental
Activities**

ASSETS

Cash and investments (Note 2)	\$ 30,616,927
Receivables	8,421,999
Other assets	957
Stores inventory	74,486
Non-depreciable capital assets (Note 4)	2,474,084
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>68,219,082</u>
Total assets	<u>109,807,535</u>

DEFERRED OUTFLOWS

Deferred loss from refunding of debt	<u>2,145,401</u>
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LIABILITIES

Accounts payable	6,166,765
Unearned revenue	666,044
Long-term liabilities (Notes 5 and 8):	
Due within one year	6,350,262
Due after one year	<u>81,799,787</u>
Total liabilities	<u>94,982,858</u>

NET POSITION

Net investment in capital assets	(1,476,140)
Restricted (Note 6)	10,304,365
Unrestricted	<u>8,141,853</u>
Total net position	<u>\$ 16,970,078</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 36,409,135	\$ 457,360	\$ 6,088,725	\$ -	\$ (29,863,050)
Instruction-related services:					
Supervision of instruction	2,457,521	730	613,877	-	(1,842,914)
Instructional library, media and technology	344,828	-	592	-	(344,236)
School site administration	4,157,695	95,451	30,002	-	(4,032,242)
Pupil services:					
Home-to-school transportation	611,288	-	306,267	-	(305,021)
Food services	2,277,138	427,415	1,851,177	-	1,454
All other pupil services	2,532,404	725	527,255	-	(2,004,424)
General administration:					
Data processing	511,600	-	-	-	(511,600)
All other general administration	2,579,912	58,185	467,931	-	(2,053,796)
Plant services	6,785,070	21,758	56,024	-	(6,707,288)
Ancillary services	281,061	-	-	-	(281,061)
Community services	1,284,818	-	-	-	(1,284,818)
Other outgo	1,198,332	190,302	325,795	-	(682,235)
Interest on long-term liabilities	4,979,563	-	-	-	(4,979,563)
Total governmental activities	\$ 66,410,365	\$ 1,251,926	\$ 10,267,645	\$ -	(54,890,794)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					15,974,881
Taxes levied for debt service					7,640,897
Taxes levied for other specific purposes					4,520
Federal and state aid not restricted to specific purposes					26,249,775
Interest and investment earnings					27,976
Miscellaneous					<u>2,179,796</u>
					<u>52,077,845</u>
					<u>(2,812,949)</u>
					19,981,576
					<u>(198,549)</u>
					<u>19,783,027</u>
					<u>\$ 16,970,078</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Building 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	\$ 6,542,503	\$ 13,816,846	\$ 7,506,714	\$ 1,556,674	\$ 29,422,737
Cash in revolving fund	25,000	-	-	-	25,000
Cash on hand and in banks	110,777	-	-	31,741	142,518
Local Agency Investment Fund	191,535	554,722	-	1,024	747,281
Receivables	8,047,429	9,131	3,983	360,924	8,421,467
Other assets	957	-	-	-	957
Stores inventory	48,265	-	-	26,221	74,486
Due from other funds	248,428	-	-	73,372	321,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 15,214,894</u>	<u>\$ 14,380,699</u>	<u>\$ 7,510,697</u>	<u>\$ 2,049,956</u>	<u>\$ 39,156,246</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,331,410	\$ 773,292	\$ -	\$ 33,585	\$ 4,138,287
Unearned revenue	666,044	-	-	-	666,044
Due to other funds	196,084	-	-	248,428	444,512
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,193,538</u>	<u>773,292</u>	<u>-</u>	<u>282,013</u>	<u>5,248,843</u>
Fund balances:					
Nonspendable	73,265	-	-	26,221	99,486
Restricted	623,632	13,607,407	7,510,697	1,741,722	23,483,458
Assigned	382,788	-	-	-	382,788
Unassigned	9,941,671	-	-	-	9,941,671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>11,021,356</u>	<u>13,607,407</u>	<u>7,510,697</u>	<u>1,767,943</u>	<u>33,907,403</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 15,214,894</u>	<u>\$ 14,380,699</u>	<u>\$ 7,510,697</u>	<u>\$ 2,049,956</u>	<u>\$ 39,156,246</u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

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

June 30, 2013

Total fund balances - Governmental Funds \$ 33,907,403

Amounts reported for governmental activities in the statement of net position 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 \$125,758,523 and the accumulated depreciation is \$55,065,357 (Note 4). 70,693,166

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, 2013 consisted of (Note 5):

General Obligation Bonds	\$ (71,521,690)	
Bond premiums	(438,831)	
Accreted interest	(13,816,192)	
Other postemployment benefits (OPEB) (Note 8)	(1,969,180)	
Compensated absences	<u>(404,156)</u>	
		(88,150,049)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt. 2,145,401

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. (2,027,936)

Internal service funds are used to conduct certain activities for which cost are charged to other funds on a full cost-recovery basis. Net position for the internal service fund is: 402,093

Total net position - governmental activities \$ 16,970,078

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, 2013

	<u>General Fund</u>	<u>Building 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	\$ 18,051,112	\$ -	\$ -	\$ -	\$ 18,051,112
Local sources	<u>15,974,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,974,880</u>
Total revenue limit	<u>34,025,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,025,992</u>
Federal sources	2,537,428	-	-	1,820,623	4,358,051
Other state sources	10,536,051	-	67,812	151,009	10,754,872
Other local sources	<u>4,326,060</u>	<u>36,742</u>	<u>7,582,987</u>	<u>1,159,467</u>	<u>13,105,256</u>
Total revenues	<u>51,425,531</u>	<u>36,742</u>	<u>7,650,799</u>	<u>3,131,099</u>	<u>62,244,171</u>
Expenditures:					
Certificated salaries	28,050,492	-	-	74,615	28,125,107
Classified salaries	7,809,482	34,107	-	1,164,482	9,008,071
Employee benefits	7,926,769	8,870	-	547,866	8,483,505
Books and supplies	1,580,887	113,847	-	998,180	2,692,914
Contract services and operating expenditures	6,165,742	78,627	-	157,426	6,401,795
Capital outlay	7,621	1,693,222	-	-	1,700,843
Other outgo	1,575,939	-	-	-	1,575,939
Debt service:					
Principal retirement	-	-	2,738,584	-	2,738,584
Interest	<u>-</u>	<u>-</u>	<u>5,496,490</u>	<u>-</u>	<u>5,496,490</u>
Total expenditures	<u>53,116,932</u>	<u>1,928,673</u>	<u>8,235,074</u>	<u>2,942,569</u>	<u>66,223,248</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,691,401)</u>	<u>(1,891,931)</u>	<u>(584,275)</u>	<u>188,530</u>	<u>(3,979,077)</u>
Other financing sources (uses):					
Operating transfers in	144,908	-	-	73,372	218,280
Operating transfers out	(73,372)	-	-	(144,908)	(218,280)
Proceeds from issuance of debt	-	15,000,000	36,275,000	-	51,275,000
Refundings of debt	-	-	(33,065,000)	-	(33,065,000)
Other financing sources	-	-	315,560	-	315,560
Other financing uses	<u>-</u>	<u>-</u>	<u>(54,981)</u>	<u>-</u>	<u>(54,981)</u>
Total other financing sources (uses)	<u>71,536</u>	<u>15,000,000</u>	<u>3,470,579</u>	<u>(71,536)</u>	<u>18,470,579</u>
Change in fund balances	(1,619,865)	13,108,069	2,886,304	116,994	14,491,502
Fund balances, July 1, 2012	<u>12,641,221</u>	<u>499,338</u>	<u>4,624,393</u>	<u>1,650,949</u>	<u>19,415,901</u>
Fund balances, June 30, 2013	<u>\$ 11,021,356</u>	<u>\$ 13,607,407</u>	<u>\$ 7,510,697</u>	<u>\$ 1,767,943</u>	<u>\$ 33,907,403</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, 2013

Net change in fund balances - Total Governmental Funds \$ 14,491,502

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 position (Note 4).	\$ 1,083,672	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(3,765,908)	
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities (Note 5).	(51,275,000)	
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 position (Note 5).	35,803,584	
Accreted interest is an expense that is not reported in the governmental funds (Note 5).	(900,396)	
Internal service funds are used to conduct certain activities for which cost are charged to other funds on a full cost-recovery basis. Net position for the self-insurance fund is:	284,648	
In governmental funds, bond premiums and discounts are recognized as revenue and expenditures in the period they are incurred. In the government-wide statements, bond premiums and discounts are amortized over the life of the relate debt (Note 5).	234,401	
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt.	2,145,401	
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.	(1,023,970)	
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).	<u>109,117</u>	<u>(17,304,451)</u>

Change in net position of governmental activities \$ (2,812,949)

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2013

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 276,176
Cash on hand and in banks	3,215
Receivables	532
Due from other funds	<u>122,712</u>
Total assets	<u>402,635</u>

LIABILITIES

Accounts payable	<u>542</u>
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NET POSITION

Restricted	<u><u>\$ 402,093</u></u>
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See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2013

Operating revenues:	
Self-insurance premiums	\$ 1,531,442
Other local revenue	<u>314</u>
Total operating revenues	<u>1,531,756</u>
Operating expenses:	
Contract services	<u>1,247,108</u>
Operating income	284,648
Net position, July 1, 2012	<u>117,445</u>
Net position, June 30, 2013	<u><u>\$ 402,093</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, 2013

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 1,409,043
Cash received from other revenue	314
Cash paid to suppliers	<u>(1,246,566)</u>
Net cash provided by operating activities	162,791
Cash and investments, July 1, 2012	<u>116,600</u>
Cash and investments, June 30, 2013	<u><u>\$ 279,391</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 284,648</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	313
Increase in due from other funds	(122,712)
Increase in accounts payable	<u>542</u>
Total adjustments	<u>(121,857)</u>
Net cash provided by operating activities	<u><u>\$ 162,791</u></u>

See accompanying notes to financial statements.

NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013

	Student Body <u>Funds</u>
ASSETS	
Cash on hand and in banks (Note 2)	\$ <u>297,608</u>
LIABILITIES	
Due to student groups	<u>297,608</u>
NET POSITION	
Restricted	<u><u>\$ -</u></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 Position 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 Position 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 Position 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.

A - Major Funds

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 - Major Funds (Continued)

2. Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

3. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 - Other Funds

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

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

The Self-Insurance Fund is used to account for revenues and other financial transactions for the post-employment benefits. The Self-Insurance fund is presented as an internal service fund.

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.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Receivables

Receivables are made up principally of amounts due from the State of California for Revenue Limit funding and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2013.

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 \$404,156 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.

Unearned 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 unearned revenue until earned.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position 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 position restricted for special purposes. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for the payment of postemployment benefits. It is the District's policy to use restricted net position 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 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, 2013, 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, 2013, 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, 2013, 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 Position 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.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on financial statements of the District.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application being encouraged. Based on the implementation of Statement No. 65 the District's July 1, 2012 net position was restated by \$198,549 because bond issuance costs were no longer capitalized. In addition, the District recorded a deferred outflow due to the loss on refunding debt of \$2,145,401.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on the District's financial statements.

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2013 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>			<u>Fiduciary</u>
	<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Activities</u>
	<u>Funds</u>	<u>Fund</u>		
Pooled Funds:				
Cash in County Treasury	\$ 29,422,737	\$ 276,176	\$ 29,698,913	\$ -
Local Agency Investment				
Fund	<u>747,281</u>	<u>-</u>	<u>747,281</u>	<u>-</u>
Total pooled funds	<u>30,170,018</u>	<u>276,176</u>	<u>30,446,194</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	142,518	3,215	145,733	297,608
Cash in revolving fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total deposits	<u>167,518</u>	<u>3,215</u>	<u>170,733</u>	<u>297,608</u>
Total cash and cash equivalents	<u>\$ 30,337,536</u>	<u>\$ 279,391</u>	<u>\$ 30,616,927</u>	<u>\$ 297,608</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.

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2013, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

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. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013, the carrying amount of the District's accounts were \$468,341, and the bank balances were \$467,690, all of which was fully insured by the FDIC.

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, 2013, 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, 2013, the District had no concentration of credit risk.

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

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.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 248,428	\$ 196,084
Non-Major Funds:		
Adult Education	5,000	33,945
Child Development	68,372	116,476
Cafeteria	-	98,007
Proprietary Fund:		
Self-Insurance	<u>122,712</u>	<u>-</u>
Totals	<u>\$ 444,512</u>	<u>\$ 444,512</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 2012-2013 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for deficit spending.	\$ 5,000
Transfer from the General Fund to the Child Development Fund for deficit spending.	68,372
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	3,946
Transfer from the Child Development Fund to the General Fund for indirect cost support.	42,955
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>98,007</u>
	<u>\$ 218,280</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, 2013 is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Non-depreciable:				
Land	\$ 2,084,146	\$ -	\$ -	\$ 2,084,146
Work-in-process	-	389,938	-	389,938
Depreciable:				
Buildings and improvements	119,464,682	608,590	-	120,073,272
Furniture and equipment	<u>3,658,457</u>	<u>85,144</u>	<u>532,434</u>	<u>3,211,167</u>
Totals, at cost	<u>125,207,285</u>	<u>1,083,672</u>	<u>532,434</u>	<u>125,758,523</u>
Less accumulated depreciation:				
Buildings and improvements	(48,596,391)	(3,600,092)	-	(52,196,483)
Furniture and equipment	<u>(3,235,492)</u>	<u>(165,816)</u>	<u>(532,434)</u>	<u>(2,868,874)</u>
Total accumulated depreciation	<u>(51,831,883)</u>	<u>(3,765,908)</u>	<u>(532,434)</u>	<u>(55,065,357)</u>
Capital assets, net	<u>\$ 73,375,402</u>	<u>\$ (2,682,236)</u>	<u>\$ -</u>	<u>\$ 70,693,166</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,280,164
Supervision of instruction	175,420
Library	31,427
Site administration	283,479
Home-to-school	39,113
Food services	143,297
All other pupil services	151,902
Ancillary services	17,801
Community services	2,629
All other general administration	178,753
Centralized data processing	33,242
Plant services	<u>428,681</u>
Total depreciation expense	<u>\$ 3,765,908</u>

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2002, the District issued Election of 1997, Series D Capital Appreciation Bonds, totaling \$31,501,495. Bond proceeds were used 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 <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,158,066	\$ 891,935	\$ 2,050,001
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	1,074,049	1,445,951	2,520,000
2019-2023	4,849,945	9,020,056	13,870,001
2024-2027	<u>6,211,811</u>	<u>18,313,190</u>	<u>24,525,001</u>
	<u>\$ 16,606,690</u>	<u>\$ 33,088,313</u>	<u>\$ 49,695,003</u>

In February 2005, the District issued 2005 General Obligation Refunding Bonds, totaling \$40,155,000. Bond proceeds were used to advance refund all or a portion of the Election of 1997 Series A, B, and C General Obligation Bonds, as well as to construct, repair and expand local schools. During the year ended June 30, 2013, a portion of the outstanding 2005 General Obligation Bonds were advance refunded and defeased. The remaining bonds bear interest at rates ranging from 3.75% to 4.0% and are scheduled to mature through August 2014 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,720,000	\$ 1,564,976	\$ 3,284,976
2015	<u>1,920,000</u>	<u>1,496,476</u>	<u>3,416,476</u>
	<u>\$ 3,640,000</u>	<u>\$ 3,061,452</u>	<u>\$ 6,701,452</u>

During the year ended June 30, 2011, the defeased portion of the Election of 1997 Series A, B and C General Obligation Bonds were repaid, and the irrevocable trust account used to pay the Bonds was closed.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In July 2012, the District issued Election of 2011, Series A General Obligation Bonds, totaling \$15,000,000. Bond proceeds are being spent to construct, repair and expand local schools. The bonds are classified as Current Interest Bonds, bear interest at rates ranging from 3.37% to 5.0% and are scheduled to mature through February 2043 as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,625,000	\$ 602,525	\$ 2,227,525
2015	1,750,000	518,150	2,268,150
2016	445,000	463,275	908,275
2017	505,000	439,525	944,525
2018	-	426,900	426,900
2019-2023	75,000	2,132,531	2,207,531
2024-2028	815,000	2,024,906	2,839,906
2029-2033	1,785,000	1,739,750	3,524,750
2034-2038	3,080,000	1,287,600	4,367,600
2039-2043	<u>4,920,000</u>	<u>514,176</u>	<u>5,434,176</u>
	<u>\$ 15,000,000</u>	<u>\$ 10,149,338</u>	<u>\$ 25,149,338</u>

In November 2012, the District issued 2012 General Obligation Refunding Bonds, totaling \$36,275,000. Bond proceeds were used to advance refund a portion of the outstanding balance of the 2005 General Obligation Refunding Bonds, and to construct, repair and expand local schools. As of June 30, 2013, \$33,065,000 of the 2005 General Obligation Refunding Bonds outstanding are considered defeased and longer included in the liabilities of the District. The 2012 Refunding Bonds bear interest at rates ranging from 0.51% to 3.43% and are scheduled to mature through August 2025 as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 935,000	\$ 842,567	\$ 1,777,567
2015	550,000	838,093	1,388,093
2016	2,590,000	823,183	3,413,183
2017	2,500,000	795,000	3,295,000
2018	2,620,000	759,607	3,379,607
2019-2023	16,535,000	2,836,697	19,371,697
2024-2026	<u>10,545,000</u>	<u>469,976</u>	<u>11,014,976</u>
	<u>\$ 36,275,000</u>	<u>\$ 7,365,123</u>	<u>\$ 43,640,123</u>

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. LONG-TERM LIABILITIES (Continued)

Although the 2012 refunding resulted in the recognition of an accounting loss of \$2,145,401 for the year ended June 30, 2013, the District in effect decreased its aggregate debt service payments by \$2.1 million over the next twelve years, the District obtained an economic gain of \$1.8 million.

Calculation of the difference in cash flow requirements and economic loss are as follows:

Old debt service cash flows	\$ 45,864,150
New debt service cash flows	<u>43,736,355</u>
Cash flow difference	<u>\$ 2,127,795</u>
Present value of old debt cash flows	\$ 38,003,293
Present value of new debt cash flows	<u>36,220,019</u>
Economic gain	<u>\$ 1,783,274</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 56,050,274	\$ 51,275,000	\$ 35,803,584	\$ 71,521,690	\$ 5,438,066
Bond premiums	673,232	260,579	494,980	438,831	20,261
Accreted interest	12,915,796	1,691,813	791,417	13,816,192	891,935
Net OPEB obligation (Note 8)	1,950,326	1,215,775	1,196,921	1,969,180	-
Compensated absences	<u>532,127</u>	<u>-</u>	<u>127,971</u>	<u>404,156</u>	<u>-</u>
	<u>\$ 72,121,755</u>	<u>\$ 54,443,167</u>	<u>\$ 38,414,873</u>	<u>\$ 88,150,049</u>	<u>\$ 6,350,262</u>

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

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

6. NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2013:

	<u>Governmental Activities</u>
Restricted for unspent categorical program revenues and state programs	\$ 623,632
Restricted for special revenues	1,134,740
Restricted for debt service	7,510,697
Restricted for capital projects	633,203
Restricted for self-insurance	<u>402,093</u>
Total restricted net position	<u>\$ 10,304,365</u>

Fund balances, by category, at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventory	<u>48,265</u>	<u>-</u>	<u>-</u>	<u>26,221</u>	<u>74,486</u>
Subtotal nonspendable	<u>73,265</u>	<u>-</u>	<u>-</u>	<u>26,221</u>	<u>99,486</u>
Restricted:					
Unspent categorical revenues	623,632	-	-	-	623,632
Adult education	-	-	-	8,101	8,101
Child development	-	-	-	561	561
Capital projects	-	13,607,407	-	633,203	14,240,610
Food service operations	-	-	-	1,064,754	1,064,754
Deferred maintenance	-	-	-	35,103	35,103
Debt service	<u>-</u>	<u>-</u>	<u>7,510,697</u>	<u>-</u>	<u>7,510,697</u>
Subtotal restricted	<u>623,632</u>	<u>13,607,407</u>	<u>7,510,697</u>	<u>1,741,722</u>	<u>23,483,458</u>
Assigned:					
School safety	171,378	-	-	-	171,378
BTSA	174,966	-	-	-	174,966
Other assignments	<u>36,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,444</u>
Subtotal assigned	<u>382,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,788</u>
Unassigned:					
Designated for economic uncertainty	6,558,402	-	-	-	6,558,402
Undesignated	<u>3,383,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,383,269</u>
Subtotal unassigned	<u>9,941,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,941,671</u>
Total fund balances	<u>\$ 11,021,356</u>	<u>\$ 13,607,407</u>	<u>\$ 7,510,697</u>	<u>\$ 1,767,943</u>	<u>\$ 33,907,403</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% 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 2012-2013 was 11.417% 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, 2011, 2012 and 2013 were \$923,892 \$855,629 and \$909,853, 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% of their salary. The required employer contribution rate for fiscal year 2012-2013 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, 2011, 2012 and 2013 were \$2,242,845, \$2,156,443 and \$2,283,197, 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	\$ 1,250,549
Interest on net OPEB obligation	78,014
Adjustment to annual required contribution	<u>(112,788)</u>
Annual OPEB cost (expense)	1,215,775
Contributions made	<u>(1,196,921)</u>
Increase in net OPEB obligation	18,854
Net OPEB obligation - beginning of year	<u>1,950,326</u>
Net OPEB obligation - end of year	<u><u>\$ 1,969,180</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, 2013 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, 2011	\$ 1,221,461	55.0%	\$ 1,485,476
June 30, 2012	\$ 1,214,979	64.7%	\$ 1,950,326
June 30, 2013	\$ 1,215,775	98.4%	\$ 1,969,180

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$12,413,157, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,413,157. The covered payroll (annual payroll of active employees covered by the Plan) was \$37,254,243, and the ratio of the UAAL to the covered payroll was 33.3 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, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 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 4.0 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, 2013, was 25 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 Authorities (JPA), 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.

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District, for financial reporting purposes.

NEWARK UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENT (Continued)

The following is a summary of condensed financial information of ACSIG and NorCal ReLIEF as of June 30, 2012 (the most recent data available):

	<u>ACSIG</u>	<u>NorCal ReLIEF</u>
Total assets	\$ 34,358,137	\$ 64,352,057
Total liabilities	\$ 45,578,070	\$ 34,304,678
Total net assets	\$ (11,219,933)	\$ 30,047,379
Total revenues	\$ 132,350,942	\$ 17,582,150
Total expenses	\$ 128,604,274	\$ 13,962,902
Change in net assets	\$ 3,746,668	\$ 3,619,248

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.

Construction Commitments

As of June 30, 2013, the District has approximately \$2,639,804 in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

NEWARK UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	<u>Budget</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Revenue limit sources:				
State apportionment	\$ 19,471,835	\$ 17,625,285	\$ 18,051,112	\$ 425,827
Local sources	<u>14,473,079</u>	<u>16,387,339</u>	<u>15,974,880</u>	<u>(412,459)</u>
Total revenue limit	<u>33,944,914</u>	<u>34,012,624</u>	<u>34,025,992</u>	<u>13,368</u>
Federal sources	2,835,911	3,317,313	2,537,428	(779,885)
Other state sources	9,820,686	10,065,231	10,536,051	470,820
Other local sources	<u>4,114,734</u>	<u>4,782,261</u>	<u>4,326,060</u>	<u>(456,201)</u>
Total revenues	<u>50,716,245</u>	<u>52,177,429</u>	<u>51,425,531</u>	<u>(751,898)</u>
Expenditures:				
Certificated salaries	28,538,030	28,422,020	28,050,492	371,528
Classified salaries	7,894,196	7,954,344	7,809,482	144,862
Employee benefits	7,912,095	8,075,002	7,926,769	148,233
Books and supplies	1,694,174	2,786,306	1,580,887	1,205,419
Contract services and operating expenditures	6,812,611	7,236,623	6,165,742	1,070,881
Capital outlay	28,700	7,621	7,621	-
Other outgo	<u>1,024,076</u>	<u>1,610,172</u>	<u>1,575,939</u>	<u>34,233</u>
Total expenditures	<u>53,903,882</u>	<u>56,092,088</u>	<u>53,116,932</u>	<u>2,975,156</u>
Deficiency of revenues under expenditures	<u>(3,187,637)</u>	<u>(3,914,659)</u>	<u>(1,691,401)</u>	<u>2,223,258</u>
Other financing sources (uses):				
Operating transfers in	1,153,120	1,146,273	144,908	(1,001,365)
Operating transfers out	<u>-</u>	<u>-</u>	<u>(73,372)</u>	<u>(73,372)</u>
Total other financing sources (uses)	<u>1,153,120</u>	<u>1,146,273</u>	<u>71,536</u>	<u>(1,074,737)</u>
Change in fund balance	(2,034,517)	(2,768,386)	(1,619,865)	1,148,521
Fund balance, July 1, 2012	<u>12,641,221</u>	<u>12,641,221</u>	<u>12,641,221</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ 10,606,704</u>	<u>\$ 9,872,835</u>	<u>\$ 11,021,356</u>	<u>\$ 1,148,521</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, 2013

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%
6/30/2013	July 1, 2012	\$ -	\$ 12,413,157	\$ 12,413,157	0%	\$ 37,254,243	33.3%

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, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
ASSETS							
Cash in County Treasury	\$ 26,937	\$ 28,191	\$ 834,697	\$ 35,080	\$ 515,657	\$ 116,112	\$ 1,556,674
Cash on hand and in bank	-	11,587	20,154	-	-	-	31,741
Local Agency Investment Fund	-	-	-	-	-	1,024	1,024
Receivables	10,599	9,873	340,019	23	333	77	360,924
Stores inventory	-	-	26,221	-	-	-	26,221
Due from other funds	5,000	68,372	-	-	-	-	73,372
Total assets	\$ 42,536	\$ 118,023	\$ 1,221,091	\$ 35,103	\$ 515,990	\$ 117,213	\$ 2,049,956
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 490	\$ 986	\$ 32,109	\$ -	\$ -	\$ -	\$ 33,585
Due to other funds	33,945	116,476	98,007	-	-	-	248,428
Total liabilities	34,435	117,462	130,116	-	-	-	282,013
Fund balances							
Nonspendable	-	-	26,221	-	-	-	26,221
Restricted	8,101	561	1,064,754	35,103	515,990	117,213	1,741,722
Fund balances	8,101	561	1,090,975	35,103	515,990	117,213	1,767,943
Total liabilities and fund balances	\$ 42,536	\$ 118,023	\$ 1,221,091	\$ 35,103	\$ 515,990	\$ 117,213	\$ 2,049,956

NEWARK UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:							
Federal sources	\$ 10,000	\$ -	\$ 1,810,623	\$ -	\$ -	\$ -	\$ 1,820,623
Other state sources	-	-	151,009	-	-	-	151,009
Other local sources	58,711	591,757	490,092	91	18,487	329	1,159,467
Total revenues	68,711	591,757	2,451,724	91	18,487	329	3,131,099
Expenditures:							
Certificated salaries	62,815	11,800	-	-	-	-	74,615
Classified salaries	248	383,937	780,297	-	-	-	1,164,482
Employee benefits	6,422	188,381	353,063	-	-	-	547,866
Books and supplies	6,448	863	984,673	-	6,196	-	998,180
Contract services and operating expenditures	16,956	32,193	79,466	-	13,727	15,084	157,426
Total expenditures	92,889	617,174	2,197,499	-	19,923	15,084	2,942,569
(Deficiency) excess of revenues (under) over expenditures	(24,178)	(25,417)	254,225	91	(1,436)	(14,755)	188,530
Other financing sources (uses):							
Operating transfers in	5,000	68,372	-	-	-	-	73,372
Operating transfers out	(3,946)	(42,955)	(98,007)	-	-	-	(144,908)
Total other financing sources (uses)	1,054	25,417	(98,007)	-	-	-	(71,536)
Net change in fund balances	(23,124)	-	156,218	91	(1,436)	(14,755)	116,994
Fund balances, July 1, 2012	31,225	561	934,757	35,012	517,426	131,968	1,650,949
Fund balances, June 30, 2013	\$ 8,101	\$ 561	\$ 1,090,975	\$ 35,103	\$ 515,990	\$ 117,213	\$ 1,767,943

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

For the Year Ended June 30, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Student Body Funds				
<u>Newark Memorial High School</u>				
Assets:				
Cash on hand and in banks	\$ 84,508	\$ 543,029	\$ 469,976	\$ 157,561
Liabilities:				
Due to student groups	\$ 84,508	\$ 543,029	\$ 469,976	\$ 157,561
<u>Bridgepoint High School</u>				
Assets:				
Cash on hand and in banks	\$ 2,052	\$ 4,522	\$ 4,010	\$ 2,564
Liabilities:				
Due to student groups	\$ 2,052	\$ 4,522	\$ 4,010	\$ 2,564
<u>Newark Junior High School</u>				
Assets:				
Cash on hand and in banks	\$ 42,642	\$ 121,496	\$ 109,897	\$ 54,241
Liabilities:				
Due to student groups	\$ 42,642	\$ 121,496	\$ 109,897	\$ 54,241
<u>Elementary Schools</u>				
Assets:				
Cash on hand and in banks	\$ 80,154	\$ 219,287	\$ 216,199	\$ 83,242
Liabilities:				
Due to student groups	\$ 80,154	\$ 219,287	\$ 216,199	\$ 83,242
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ 209,356	\$ 888,334	\$ 800,082	\$ 297,608
Liabilities:				
Due to student groups	\$ 209,356	\$ 888,334	\$ 800,082	\$ 297,608

NEWARK UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2013

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jan Crocker	President	2016
Nancy Thomas	Vice President	2014
Charlie Mensinger	Member	2014
Gary Stadler	Member	2016
Ray Rodriguez	Member	2016
Janice Schaefer	Member	2016

ADMINISTRATION

Dr. Dave Marken, Ed.D.
Superintendent

Elaine Neilsen
Chief Business Official

Dr. Cecelia Greenberg-English, Ed.D.
Chief Academic Officer

Timothy Erwin
Assistant Superintendent
Human Resources

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2013

	<u>Original Second Period Report</u>	<u>Audited Second Period Report*</u>	<u>Annual Report</u>
Elementary:			
Kindergarten	473	471	480
First through Third	1,402	1,401	1,403
Fourth through Eighth	2,212	2,212	2,211
Home and Hospital	1	2	2
Special Education	<u>136</u>	<u>139</u>	<u>140</u>
Subtotal Elementary	<u>4,224</u>	<u>4,225</u>	<u>4,236</u>
Secondary:			
Regular Classes	1,858	1,858	1,856
Home and Hospital	-	-	1
Special Education	63	66	65
Continuation Education	<u>97</u>	<u>97</u>	<u>95</u>
Subtotal Secondary	<u>2,018</u>	<u>2,021</u>	<u>2,017</u>
	<u><u>6,242</u></u>	<u><u>6,246</u></u>	<u><u>6,253</u></u>

* Reflects revisions made by the District, based on an internal review of records.

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2013

<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>2012-13 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	43,200	180	In Compliance
Grade 1	50,400	49,000	41,780	40,619	55,641	180	In Compliance
Grade 2	50,400	49,000	41,780	40,619	55,641	180	In Compliance
Grade 3	50,400	49,000	41,780	40,619	55,641	180	In Compliance
Grade 4	54,000	52,500	54,000	52,500	55,641	180	In Compliance
Grade 5	54,000	52,500	54,000	52,500	55,641	180	In Compliance
Grade 6	54,000	52,500	54,000	52,500	55,641	180	In Compliance
Grade 7	54,000	52,500	54,000	52,500	57,940	180	In Compliance
Grade 8	54,000	52,500	54,000	52,500	57,940	180	In Compliance
Grade 9	64,800	63,000	64,800	63,000	64,971	180	In Compliance
Grade 10	64,800	63,000	64,800	63,000	64,971	180	In Compliance
Grade 11	64,800	63,000	64,800	63,000	64,971	180	In Compliance
Grade 12	64,800	63,000	64,800	63,000	64,971	180	In Compliance

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<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</u>			
	Special Education Cluster:		
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611	13379	\$ 984,523
84.027	Special Ed IDEA: Basic and Local Assistance Private School ISP	10115	25,662
84.027A	Special Ed IDEA: Mental Health Services Part B, Sec 611	14468	94,436
84.027A	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13682	78,913
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	46,321
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	<u>341</u>
	Subtotal Special Education Cluster		<u>1,230,196</u>
	NCLB: Title I, Part A Program:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	768,832
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14956	<u>181,127</u>
	Subtotal NCLB: Title I, Part A Program		<u>949,959</u>
84.002A	Adult Education: Adult Basic Education and ESL	14508	10,000
84.048	Vocational Programs: Voc and Applied Tech Secondary IIC, Sec 131 (Carl Perkins Act)	14894	40,321
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology	14334	4,731
84.365	NCLB: Title III, Limited English Proficiency	14346	140,657
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	<u>118,973</u>
	Total U.S. Department of Education		<u>2,494,837</u>

(Continued)

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2013

<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 Health and Human Services- Passed through California Department of Education</u>			
	Medicaid Programs:		
93.778	Medi-Cal Administrative Activities (MAA)	10060	\$ 9,731
93.778	DHCS: Medi-Cal Billing Options	10013	<u>40,449</u>
	Total Medicaid Programs		<u>50,180</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>1,810,623</u>
	Total Federal Programs		<u>\$ 4,355,640</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, 2013

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, 2013

(UNAUDITED)

	(Budget) <u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 51,316,240	\$ 51,570,439	\$ 53,432,750	\$ 57,088,419
Expenditures	54,524,563	53,116,932	50,724,012	51,925,724
Other uses and transfers out	<u>1,150,000</u>	<u>73,372</u>	<u>50,685</u>	
Total outgo	<u>55,674,563</u>	<u>53,190,304</u>	<u>50,774,697</u>	<u>51,925,724</u>
Change in fund balance	<u>\$ (4,358,323)</u>	<u>\$ (1,619,865)</u>	<u>\$ 2,658,053</u>	<u>\$ 5,162,695</u>
Ending fund balance	<u>\$ 6,663,033</u>	<u>\$ 11,021,356</u>	<u>\$ 12,641,221</u>	<u>\$ 9,983,168</u>
Available reserves	<u>\$ 2,055,532</u>	<u>\$ 9,941,671</u>	<u>\$ 8,900,164</u>	<u>\$ 8,564,626</u>
Designated for economic uncertainties	<u>\$ 1,635,737</u>	<u>\$ 6,558,402</u>	<u>\$ 6,572,397</u>	<u>\$ 6,597,128</u>
Undesignated fund balance	<u>\$ 419,795</u>	<u>\$ 3,383,269</u>	<u>\$ 2,327,767</u>	<u>\$ 1,967,498</u>
Available reserves as percentages of total outgo	<u>11.9%</u>	<u>20.6%</u>	<u>17.5%</u>	<u>16.5%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 81,799,787</u>	<u>\$ 88,150,049</u>	<u>\$ 72,121,755</u>	<u>\$ 73,293,719</u>
Average daily attendance at P-2, excluding Adult School and ROP	<u>6,200</u>	<u>6,246</u>	<u>6,353</u>	<u>6,414</u>

The General Fund fund balance has increased by \$6,200,883 over the past three years. The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2013-2014 fiscal year. The fiscal year 2013-2014 budget projects an decrease of \$4,358,323. For a district this size, the state requires available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2013, the District has met this requirement.

Total long-term liabilities have increased by \$14,856,330 over the past two years.

Average daily attendance has decreased by 168 over the past two years. The District anticipates a decrease of 46 ADA for the 2013-2014 fiscal year.

See accompanying notes to supplementary information.

NEWARK UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2013

Charter Schools Chartered by District

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

There are currently no charter schools in the District.

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, 2013.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 4,358,051
Add: Medi-Cal Billing Funds not spent	93.778	<u>(2,411)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 4,355,640</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 2013-2014 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, 2013, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

Report on Compliance with State Laws and Regulations

We have audited Newark Unified School District's compliance 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, 2013.

<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	Yes
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	Yes
Juvenile Court Schools	8	No, see below
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
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	1	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

The District is not a County Office of Education, therefore, we did not perform any procedures related to Instructional Time for County Offices of Education.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

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

The District does not operate a Before School program, therefore we did not perform any procedures related to After School Education and Safety-Before School.

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

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations of Newark Unified School District. 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 above 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 on compliance with state laws and regulations. However, our audit does not provide a legal determination of Newark Unified School District's compliance.

Opinion with State Laws and Regulations

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, 2013. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Newark Unified School District had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 6, 2013

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise Newark Unified School District's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newark Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newark Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newark Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 6, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited Newark Unified School District's compliance with the types of compliance requirements described in the *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, 2013. Newark Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newark Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Newark Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Newark Unified School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Newark Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Newark Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 6, 2013

FINDINGS AND RECOMMENDATIONS

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	_____ Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

	_____ Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I, Part A Program
10.555	Child Nutrition: School Programs

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

Auditee qualified as low-risk auditee?

	_____ Yes	<u> X </u> No
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STATE AWARDS

Type of auditor's report issued on compliance for state programs: Unmodified

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2013

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, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2012-01</p> <p>Lincoln Elementary School:</p> <ul style="list-style-type: none"> • 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. <p>Bridgepoint Continuation High School:</p> <ul style="list-style-type: none"> • Monthly financial statements are not prepared for each student organization <p>The District should implement and enforce internal controls, including:</p> <ul style="list-style-type: none"> • 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. 	Implemented.	
<p>2012-02</p> <p>The District has not submitted its Section 1512 quarterly reports on the use of Recovery Act fund for the first, second and third quarters.</p> <p>The District should prepare and submit the Section 1512 reports for the first, second and third as required by Federal Circulars.</p>	Implemented.	

Board of Education
Newark Unified School District
Newark, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the District for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's 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 or disclosures. 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.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor used the work of internal audit, and how the external and internal auditors best work together.

- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Significant communications with regulators.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following accounting changes or significant policies requiring communication.

Accounting Standard	Impact of Adoption
<p>GASB Statement No.61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No.34"</p>	<p>The objective of this Statement, issued in November 2010, is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.</p> <p>This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No.61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No.34" (Continued)</p>	<p>This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.</p> <p>This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"</p>	<p>This Statement, issued in December 2010, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.</p> <p>In addition, all FASB and AICPA pronouncements became non-authoritative literature for the private sector on July 1, 2009, the effective date of the FASB Accounting Standards Codification. Although certain FASB and AICPA pronouncements are still available in the archive section of the FASB's Codification on a limited basis, this Statement will make accessible in the GASB's authoritative literature all applicable accounting and financial reporting guidance previously residing only in the FASB and AICPA pronouncements.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"</p>	<p>This Statement, issued in June 2011, provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.</p> <p>The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.</p>
<p>GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"</p>	<p>This Statement, issued in March 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" (Continued)</p>	<p>Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53 requires the reporting of a deferred outflow/inflows of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.</p> <p>This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.</p> <p>This statement was adopted for the District's fiscal year ended June 30, 2013. The District's beginning net position was restated by \$198,549 since bond issuance costs were no longer capitalized. Also, the District recorded \$2,145,401 in deferred outflows of resources due to the book loss on refunding of debt.</p>
<p>GASB Statement No. 66, "Technical Corrections – 2012, An Amendment of GASB Statements No. 10 and No. 62"</p>	<p>The objective of this Statement, issued in March 2012, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 66, "Technical Corrections – 2012, An Amendment of GASB Statements No. 10 and No. 62" (Continued)</p>	<p>This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.</p> <p>This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.</p> <p>This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25"</p>	<p>The objective of this Statement, issued in June 2012, is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.</p> <p>This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:</p> <ul style="list-style-type: none"> • Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. • Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. • Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" (Continued)</p>	<p>For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:</p> <ul style="list-style-type: none"> • Single-employer pension plans—those in which pensions are provided to the employees of only one employer (as defined in this Statement) • Agent multiple-employer pension plans (agent pension plans)—those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees • Cost-sharing multiple-employer pension plans (cost-sharing pension plans) those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan. <p>This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.</p> <p>This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27"</p>	<p>The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.</p> <p>This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.</p> <p>The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:</p> <ul style="list-style-type: none"> • Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. • Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. • Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Accounting Standard	Impact of Adoption
<p>GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" (Continued)</p>	<p>This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.</p> <p>Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:</p> <ul style="list-style-type: none"> • Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement). • Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees. • Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Accounting Standard	Impact of Adoption
GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" (Continued)	<p>In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.</p> <p>This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.</p>

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the District's year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Revenue Limit	Management calculates the Base Revenue Limit amount by using prior year Base Revenue Limit amount increased by the applicable cost-of-living increase. This amount is then multiplied by the District's funded ADA which is equal to the greater of current year or prior year second period ADA. Several adjustments may be made to the revenue limit funding to include additional funding such as Unemployment Insurance Program funding. Also, other adjustments to the revenue limit funding are made for various purposes including the recapture of savings related to the Public Employees Retirement System employer contribution rate.	We tested the propriety of information underlying management's estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the District.	We tested the propriety of information underlying management's estimates.
Loss Contingencies	The District consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements.	Based on information obtained from the District's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingency does not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required.
Pension and Postretirement Obligations	Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets.	We reviewed the reasonableness of these estimates and assumptions.
Claims Liability	The claims liability was determined by management by a process of applying third party actuarial studies and rolling forward their assumptions to the end of the fiscal year.	We tested this accounting estimate by reviewing, on a test basis, the information listed and by recalculating the factors applied by management.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the District's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.

- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information In Documents Containing Audited Financial Statements Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof. <ul style="list-style-type: none"> • Management's Discussion and Analysis
Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
Disagreements With Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.

Communication Item	Results
Consultations With Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations The Auditor Is Requesting From Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
Significant Related Party Findings and Issues We are to communicate to you significant findings and issues arising during the audit in connection with the District's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your District as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of Those Charged with Governance and, if appropriate, management, 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 6, 2013



NEWARK UNIFIED SCHOOL DISTRICT

5715 Musick Avenue
Newark, CA 94560-2554
510-818-4103 Fax: 510-794-2199

BOARD OF EDUCATION
Jan Crocker, President
Nancy Thomas, Vice President
Charlie Mensinger, Member
Gary Stadler, Member
Ray Rodriguez, Member

SUPERINTENDENT
Dave Marken, Ed.D.

December 6, 2013

Crowe Horwath LLP
400 Capitol Mall, Suite 1200
Sacramento, California 95814

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of Newark Unified School District as of June 30, 2013 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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, and the respective changes in financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America.

Some representations in this letter are specifically limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We are responsible for the fair presentation in the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States, and we believe the financial statements are fairly presented and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
2. We are responsible for maintaining internal control that will, among other things, help assure the preparation of the financial statements in conformity with accounting principles generally accepted in the United States. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
3. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

4. We have made available to you all --
 - a. Financial records and related data and other relevant information, as well as access, as agreed upon in the terms of the audit engagement.
 - b. Minutes of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Audit or relevant monitoring reports, if any, received from funding sources.
5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
7. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.
8. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.
 - a. Revenue Limit.
 - b. Valuation of long lived assets.
 - c. Disclosure of pension plans or other post-retirement benefits.
9. Except as disclosed in the financial statements, or directly to you, there are or have been no material:
 - a. Related party transactions and related amounts receivable or payable, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees.
 - b. Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - c. Oral or written guarantees under which the entity is contingently liable.
 - d. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the entity is a party.
 - e. Asserted or unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB 62.
 - f. Concentrations that make the entity vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
 - g. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
 - h. Liens, encumbrances or other title impairments, such as pledges as collateral, on entity assets at the balance sheet date.
 - i. Restrictions under borrowing agreements.
 - j. Unrecorded transactions.


- k. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
 - l. Declines in market value of investments that are not temporary.
10. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management, whether material or not.
 - b. Employees who have significant roles in internal control, whether material or not.
 - c. Others where the fraud could have a material effect on the financial statements.
11. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
12. Except as disclosed to you, there have been no:
- a. Violations or possible violations of budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
15. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you.
16. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.

- Demsey and Filliger (OPEB Actuary)

17. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provide an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
18. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
19. The financial statements include all joint ventures with an equity interests and properly disclose these joint ventures and other related organizations (e.g. – Joint Powers Agreements).
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to the financial statement users.
22. Net position components (net investment in capital assets, restricted, and unrestricted) are properly classified and fund balance types (including minimum fund balance policies and/or stabilization agreements, if applicable) are properly presented and disclosed pursuant to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
23. Expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
24. Revenues are properly classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
25. Interfund, internal, and intra-entity activity and balances have been properly classified and reported.
26. Deposits and investment securities are properly classified in category of custodial credit risk.
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
28. We understand that you have assisted us with the preparation of our financial statements and footnotes and we have reviewed and approved the financial statements and footnotes and take full responsibility for them.
29. We have elected to early-implement the provisions of GASB Statement No. 65.
30. With respect to compliance with Government Auditing Standards:
 - a. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to this organization.
 - b. We are responsible for establishing and maintaining effective internal control over financial reporting.
 - c. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.
 - d. We have identified and disclosed to you violations (or possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

31. We are responsible for compliance with the State of California's Standards and Procedures for Audits of California's K-12 Local Education Agencies.
32. With respect to the requirements of the Office of Management and Budget Circular A 133 related to federal awards:
 - a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
 - b. We have prepared (or reviewed) the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
 - d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the organization is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
 - e. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
 - f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities and is related to federal programs.
 - g. We have complied, in all material respects, with the compliance requirements in connection with federal awards except as disclosed to you.
 - h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
 - i. Our interpretations of any compliance requirements that have varying interpretations have been provided to you.
 - j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the basis presented in the schedule of expenditures of federal awards.
 - l. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
 - m. We have monitored subrecipients, as applicable, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.

- n. We have issued management decisions on a timely basis after their receipt of subrecipients' auditor's reports that identified non-compliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- o. We have considered the results of subrecipient audits and have made any necessary adjustments to their own books and records.
- p. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- q. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- r. We have accurately completed the appropriate sections of the data collection form, or have reviewed those sections as prepared by you.
- s. If applicable, we have disclosed all contracts or other agreements with the service organizations.
- t. If applicable, we have disclosed to you all communications from the service organization relating to noncompliance at the service organization.
- u. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
- v. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to deficiencies, significant deficiencies, and material weaknesses have occurred subsequent to the date as of which compliance is audited.
- w. We have identified the requirements regarding activities allowed or unallowed, allowable costs/cost principles, cash management, Davis-Bacon Act, eligibility, equipment and real property management, matching, level of effort, earmarking, period of availability of federal funds, procurement, program income, real property acquisition and relocation assistance, reporting, subrecipient monitoring, and special tests and provisions that are applicable to major programs, which are identified in the Schedule of Expenditures of Federal Awards.
- x. We have complied with reporting requirements in connection with federal awards, and information presented in federal financial reports and claims for advances and reimbursements is supported by the accounting records from which the financial statements and the Schedule of Expenditures of Federal Awards were prepared.
- y. Amounts claimed or used for matching, if applicable, were determined in accordance with relevant guidelines in OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."


Elaine Neilsen

Chief Business Official