F.2 Acceptance of the Comprehensive Annual Financial Report (CAFR) for the period ending June 30, 2014 – from Administrative Services Director Woodstock. (MOTION)

Background/Discussion – As part of the year-end closing process, staff presents the audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014. The financial statements included in this report provide information on the City's year-end financial condition and the results of operation for the Fiscal Year 2013-2014. The report was audited by our independent auditors, Badawi & Associates, who have issued an unqualified opinion on the report.

The City's financial statements were prepared according to the requirements of the Government Accounting Standards Board (GASB). The two government-wide financial statements provide a broad view of the City's financial position and activities in a manner similar to the private sector business reporting. The Statement of Net Position provides information about the financial position of the City, including all assets and liabilities. The Statement of Activities provides information about the City's revenues and expenses. In the Transmittal Letter and Management Discussion and Analysis, the Administrative Services Director provides a narrative overview and analysis of the City's financial activities and performance during the fiscal year.

Copies of the CAFR have been provided to the City Council. A copy has also been placed in the Newark Library.

Attachment

Action - It is recommended that the City Council, by motion, accept the Comprehensive Annual Financial Report (CAFR) for the period ending June 30, 2014.

City of Newark

Newark, California

Comprehensive Annual Financial Report

For the year ended June 30, 2014

Prepared by:
Finance Department
Susie Woodstock
Administrative Services Director

City of Newark

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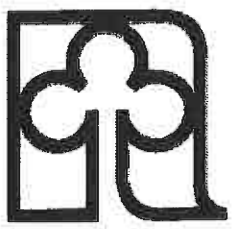


CITY OF NEWARK, CALIFORNIA

37101 Newark Boulevard • Newark, California, 94560-3976 • (510) 578-4000

November 26, 2014

Honorable Mayor, Members of the City Council, and the Citizens of the City of Newark, California:

I am pleased to submit the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. Various financing covenants and rules associated with restricted funding sources require the City of Newark, California (City) to publish a complete set of audited financial statements.

The report was prepared by the City's Finance Department. The responsibility for the completeness and accuracy of the information presented in this report including all disclosures rests with the City's management. A comprehensive framework of internal control has been established by management to ensure that the accounting system and its underlying data are reliable. The City's internal accounting controls have been developed and maintained for the protection of City's assets from loss, theft, or misuse; for accuracy and reliability of information used in the preparation of the City's financial statements; and for adherence to management policies and procedures. Because the costs of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The evaluation of costs and benefits requires estimates and judgments by management.

The City's financial statements presented in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. The independent certified public accounting firm of Badawi and Associates has rendered its unqualified opinion on the City's financial statements for the year ended June 30, 2014. The independent auditors' report is presented on page 1 of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City of Newark Profile

The City of Newark, incorporated in 1955, is located on the eastern shores of San Francisco Bay at the end of the Dumbarton Bridge and in the northern part of Silicon Valley, fifteen miles north of San Jose, California. As of January 1, 2014, the City's population was estimated by the California Department of Finance at 43,342, approximately 3% of total Alameda County population. The City occupies an area of approximately fourteen square miles.

The City is a general law city and operates under the Council-Manager form of government. Under this form of government, policy-making and legislative authority are vested in a five-member elected City Council consisting of the Mayor and four Council members. The Mayor and City Council are responsible for passing ordinances, adopting and amending the operating and capital budgets, appointing various committee members, and hiring both the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances established by the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments.

The City provides a range of municipal services to its citizens. These include police protection; construction and maintenance of streets, parks, storm drains and other infrastructure; recreational activities and cultural events; planning, zoning and other community development activities; and administrative services including information systems, finance and human resources. Fire protection services are contracted from the Alameda County Fire Department.

The City's financial report includes all funds and activities of the City of Newark as the primary government and it's component unit. The component unit is the Public Financing Authority. The Newark Public Financing Authority is a blended component unit because the governing board consists of the all five members of the City Council. The Newark Betterment Corporation was previously considered a discrete component unit where the funds are not blended in with City funds, but they were shown in the City's financial report. The Government Accounting Standards Board Statement 61 established that the Newark Betterment Corporation, as a separate legal entity, did not need to be included in the City's financials. Newark Betterment Corporation is not included in the City's financials this year. Separate financial statements are being issued for this entity.

A biennial operating budget and capital improvement plan is adopted by City Council resolution prior to July 1 of even number years. This serves as the foundation for Newark's financial planning and control. All budget amendments and transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Council places the legal level of budgetary control at the department level. The City Manager is authorized to transfer unencumbered appropriations within a department within the same fund. The City Manager is also authorized to assign unassigned fund balance per GASB 54. Appropriations are valid for one fiscal year and lapse at the end of the fiscal year.

Local Economy

The City's geographic location is a major factor affecting it economic position. The City is located in the northern portion of the Silicon Valley and at one end of the Dumbarton Bridge connecting Newark to the Palo Alto/Menlo Park areas. Newark's central Bay Area location makes it an ideal destination for high tech, R&D retail and new housing developments.

Long-Term Financial Planning

The City has established an Operating Reserve, which is approximately 15% of the operating budget, to cover emergencies or disasters. This $6 million is shown in the General Fund

unassigned fund balance but it is prudent fiscal policy to recognize that these funds are not intended for normal unanticipated budget shortfalls.

The City developed a budget balancing reserve (previously known as the PERS Reserve, now called Fiscal Uncertainty Reserve) to provide cushion for a possible economic slowdown, recession, or other revenue losses. The City had to use this reserve on a number of occasions during the recession years. The reserve balance was about $6.7 million in 2006 and was completely depleted by 2010 as the reserves were used in conjunction with severe cuts to weather the recession. Since 2011, the Fiscal Uncertainty Reserve had been replenished with funds from recent budget surpluses. At the end of Fiscal Year 2014, the Fiscal Uncertainty Reserve balance is $10.78 million.

A Capital Project Reserve has been established by the City to fund capital improvement projects. This reserve increases from surplus funds generated by the General Fund and proceeds from the sale of City capital assets. The direction of budget surpluses into the Fiscal Uncertainty Fund in the General Fund over the past several years has resulted in much lower funding levels available for capital projects. Capital spending has continued to focus on asset preservation of the City's buildings, parks, streets, and fleet management, as well as risk management activities.

Finally, the City also has established a number of restricted reserve funds which can only be used for specific purposes as required by contract or grants. In fiscal year 2011-2012, GASB 54 changed the definition of Special Revenue Funds which required the Waste Augmentation fund to be shown in the General Fund. The fund balance for Waste Augmentation continues to be assigned to clearly show the intent for those funds.

Relevant Financial Policies

In June 2012, the City Council adopted the 2012-2014 Biennial Budget and Capital Improvement Plan which included the budget for fiscal year 2014. At the time of the adoption, the City's budget was balanced with a modest surplus projected. The economic forecasts expected the recession recovery to continue at a slow, spotty and uncertain pace. Property Tax, Sales Tax and Transient Occupancy Tax have grown at a rate much greater than expected two years ago resulting in larger than anticipated surpluses.

As a result of the use of reserves to weather the recession, the City Council adopted a fund balance policy that directed all remaining reserves after year-end transfers to be transferred into the Fiscal Uncertainty Fund. This has resulted in a balance of $10.78 million in this fund. With this prudent establishment of reserves, the Government Funds Balance Sheet has almost recovered to 2007 levels.

Major Initiatives

- **Utility Users Tax** – A local revenue measure was approved by the voters in November 2010. This is a Utility Users Tax that generates over $3.5 million annually. This revenue source corrected the structural budget deficit in 2010. The tax was scheduled to sunset December 2015, but in November 2014, voters approved an extension of the Utility

Users Tax with a new sunset date of December 2020.

- **New Development** – City staff has been working cooperatively with business owners, developers and the community to bring businesses and new housing construction to Newark. The City's efforts have resulted in the NewPark Mall renovation project, the Cedar Townhomes, Newark Prima and Birch Street Subdivision developments currently under construction.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newark for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to GFOA to determine its eligibility for another certificate.

The Comprehensive Annual Financial Report is the result of the cooperative work of many people. I would like to express my appreciation to all members of the Finance Department who assisted and contributed to its successful completion. I especially wish to thank Senior Accountant Gloria del Rosario for her work in the preparation of this report and our auditors, Badawi & Associates, for their cooperation and assistance.

Finally, sincere appreciation is expressed to the City Manager and members of City Council for providing policy direction and support in planning and conducting the financial operations of the City that assures resources are available in providing programs and core services to the citizens of the City of Newark.

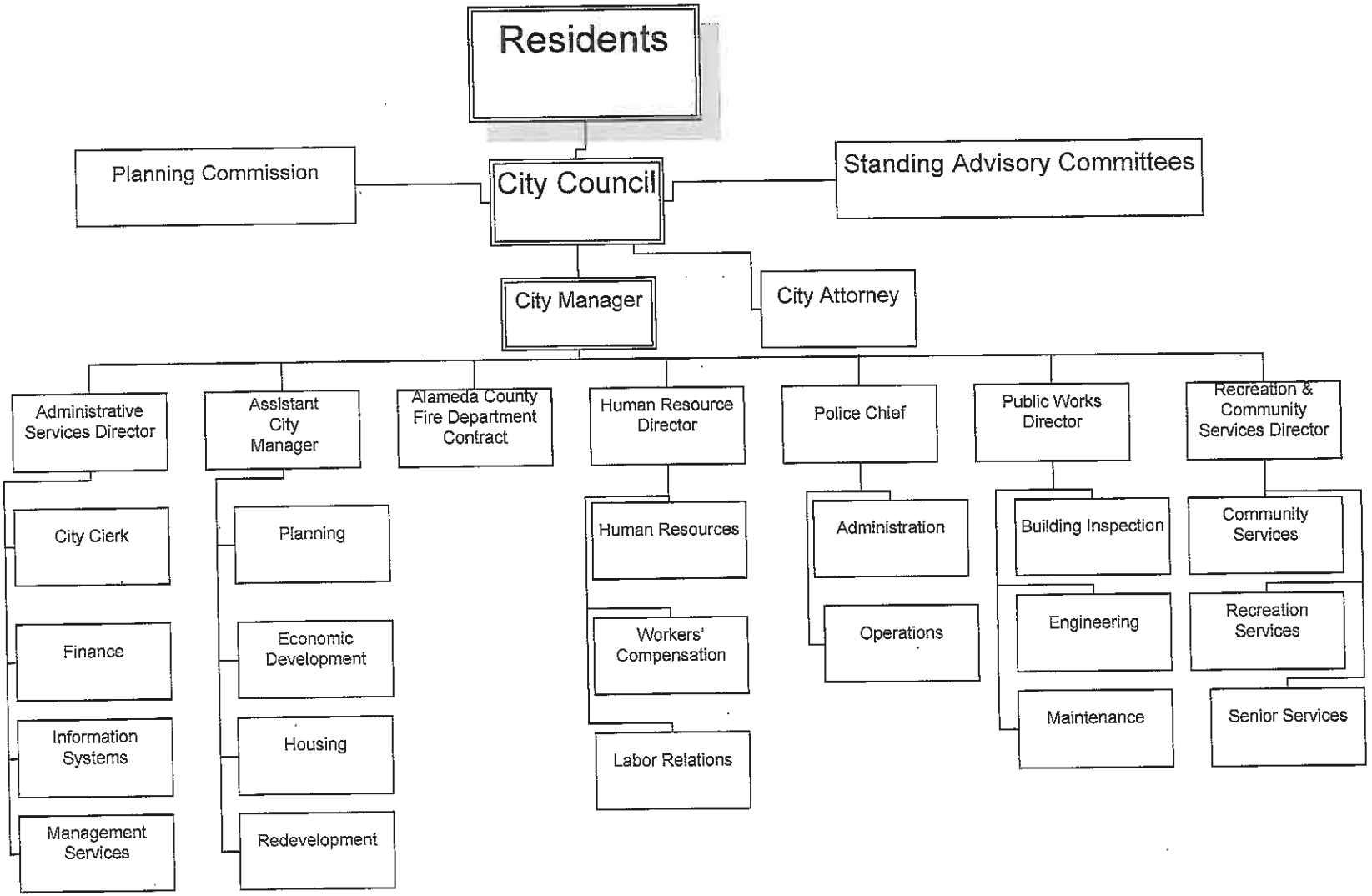
Respectfully submitted,

Susie Woodstock

Susie Woodstock
Administrative Services Director

City of Newark

Organization Chart



Newark Mayor & City Council

June 30, 2014

Alan L. Nagy
Mayor

Ana Apodaca
Vice Mayor

Maria"Sucy"Collazo
Council Member

Luis L. Freitas
Council Member

Robert J. Marshall
Council Member

CITY STAFF

June 30, 2014

CITY MANAGER
John Becker

CITY ATTORNEY
David Benoun

EXECUTIVE TEAM

ADMINISTRATIVE SERVICES DIRECTOR
Susie Woodstock

ASSISTANT CITY MANAGER
Terrence Grindall

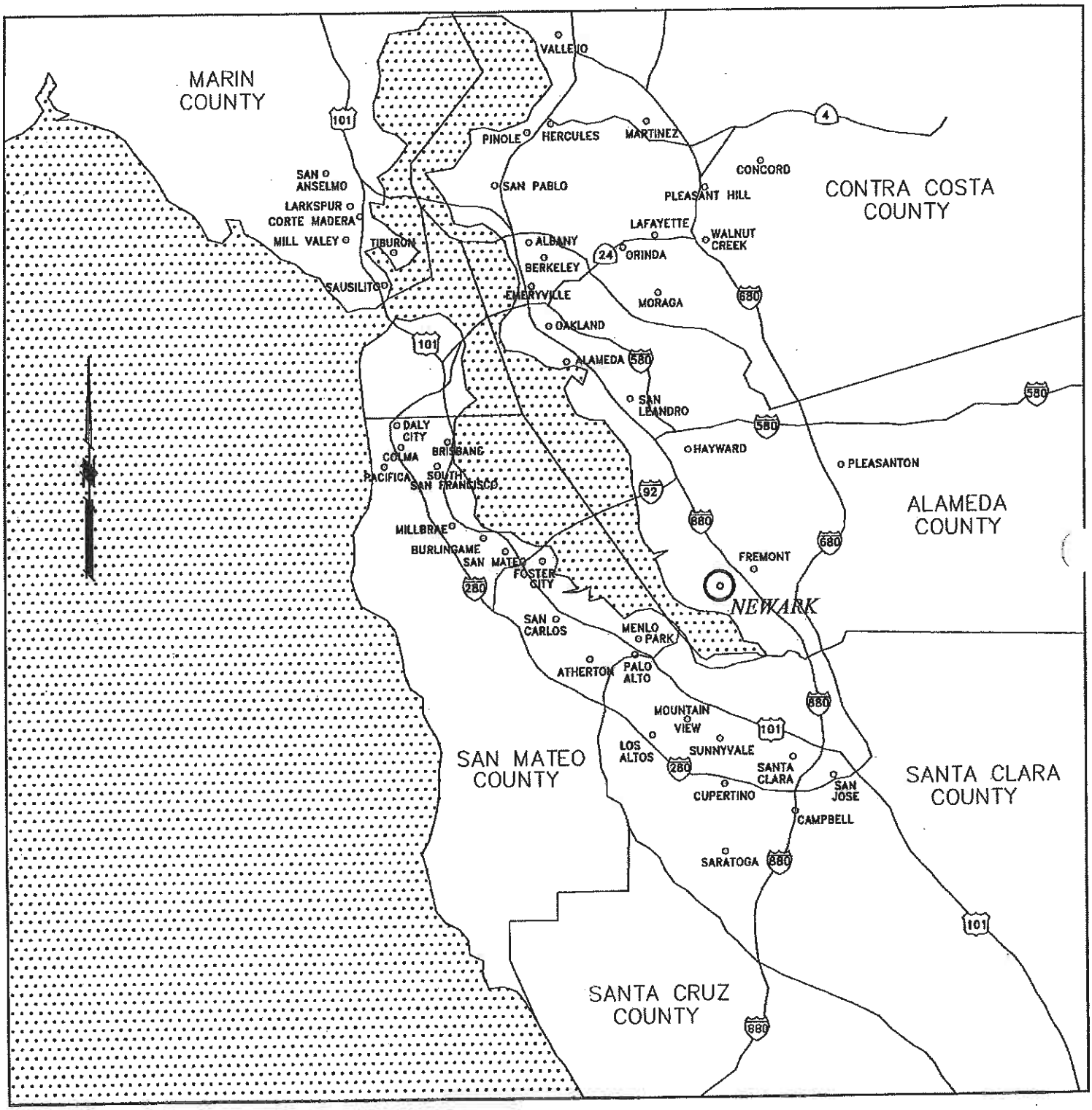
HUMAN RESOURCES DIRECTOR
Sandy Abe

POLICE CHIEF
James Leal

PUBLIC WORKS DIRECTOR
Peggy Claassen

RECREATION & COMMUNITY SERVICES DIRECTOR
David Zehnder

FIRE CHIEF (ALAMEDA CO. FIRE DEPARTMENT)
David Rocha


MARIN COUNTY
CONTRA COSTA COUNTY
ALAMEDA COUNTY
SAN MATEO COUNTY
SANTA CLARA COUNTY
SANTA CRUZ COUNTY
VALLEJO
PINOLE
HERCULES
MARTINEZ
CONCORD
PLEASANT HILL
LAFAYETTE
WALNUT CREEK
ORINDA
MORAGA
SAN ANSELMO
LARKSPUR
CORTE MADERA
MILL VALEY
TIBURON
SAUSILITO
SAN PABLO
ALBANY
BERKELEY
EMERYVILLE
OAKLAND
ALAMEDA
SAN LEANDRO
HAYWARD
PLEASANTON
DALY CITY
COLMA
BRISBANG
PACIFICA
SOUTH SAN FRANCISCO
MILLBRAE
BURLINGAME
SAN MATEO
FOSTER CITY
FREMONT
NEWARK
SAN CARLOS
MENLO PARK
ATHERTON
PALO ALTO
MOUNTAIN VIEW
LOS ALTOS
SUNNYVALE
SANTA CLARA
CUPERTINO
SAN JOSE
CAMPBELL
SARATOGA
101
4
24
580
680
92
280
880

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

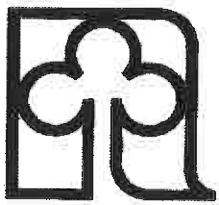
City of Newark

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Newark
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 the City of Newark, California (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 the City as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–15 and 69–70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 75 and 82 to 93, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 75 and 82 to 93 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

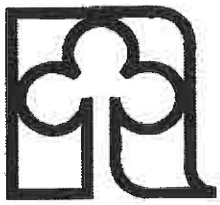
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Badawi & Associates

Badawi and Associates
Certified Public Accountants
Oakland, California
November 26, 2014



This section provides the reader a narrative introduction and a readily understandable analytical overview of the City of Newark's (City) financial activities and performance for the fiscal year ended June 30, 2014. Summary reports showing comparisons of current financial information with that of the previous year are included to enhance the clarity and usefulness of the reports. To gain a broad perspective of the City and its financial activities, we encourage the reader to consider the information presented here in conjunction with the information that we have provided in the letter of transmittal presented at the beginning of this report.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, the City assets exceeded its liabilities by $173.2 million. Approximately 82% of this amount is invested in capital assets (net of related debt) and therefore not available to meet the City's ongoing operations.

- During the fiscal year, the City's net position increased by $4.2 million. Total revenues of $47.2 million exceeded total expenses of $43 million. Comparatively, revenues were $4.6 million higher and expenses were $0.9 million lower in fiscal year 2014 than in fiscal year 2013. Almost all revenue categories were higher than the previous year while expenditures were lower as the previous year included the Silliman Paint Corrections project which alone was $2.7 million.

- On June 30, 2014 the City's governmental funds reported a combined ending fund balance of $32.4 million, an increase of $4.1 million compared to prior fiscal year.

- The City's General Fund fund balance increase of $3.9 million during fiscal year 2014 reflects the $4.4 million of net revenue over expenditures in the General Fund, which was partially offset by $0.5 million of net other financing use.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consists of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the City's financial position and activities, in a manner similar to private-sector business reporting. The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the differences between the two reported as net position. This statement reports all assets and liabilities using the accrual basis of accounting. Increases and decreases in net position serve as useful indicator of whether the financial position of the City is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

The Statement of Activities provides information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. All revenues earned and expenses incurred during the fiscal year are reported in this statement, regardless of timing of related cash flows.

Government-Wide Financial Statements, Continued

The Government-Wide Financial Statements present governmental activities only because the City does not have business-type activities. The governmental activities of the City include general government, public safety, streets and parks, community development, and recreation. Property and local taxes, investment earnings, charges for services, operating and capital grants and contributions finance these activities.

Fund Financial Statements

Funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Financial Statements are used to report basically the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as the available balances of spendable resources at the end of the fiscal year. This information may be useful in assessing the City's near-term financial requirements.

In order to better understand the City's long-term and near-term financial requirements, it is useful to compare the information presented for governmental funds with the information provided for governmental activities in the Government-Wide Financial Statements. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports 16 governmental funds. The major governmental funds are the General Fund, State Construction Maintenance Special Revenue Fund, and Capital Projects Fund, which are presented separately in the Governmental Fund Financial Statements. Information on the other governmental funds is combined into a single aggregated presentation as non-major governmental funds. Individual fund data for each non-major governmental fund is provided in the form of combining statements as supplementary information elsewhere in the report.

Proprietary funds of the City consist of the internal service funds. The internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Equipment Replacement, Equipment Operations, Office Support, Building Maintenance, Public Liability Self-Insurance, and Workers' Compensation functions. Because these services predominantly benefit the governmental activities, they have been included within governmental activities in the Government-Wide Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

The City's six internal service funds are combined into a single aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements as supplementary information elsewhere in the report.

Fiduciary funds are used to account for resources held for the benefit of parties external to the City. These funds are not included in the Government-Wide Financial Statements because the resources of the fiduciary funds are not available to support the City's own programs. The City's Fiduciary Fund Financial Statements provide financial information about the activities of the Special Assessment Districts, for which the City acts solely as an agent. The Redevelopment Agency Successor funds are also included in the Fiduciary Funds as Private Purpose Trust Funds after the dissolution of the Redevelopment Agency Funds as of January 31, 2012.

Notes to Basic Financial Statements

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

Supplementary Information

The Required Supplementary Information includes budgetary comparison schedules for the General Fund, State Construction Maintenance Special Revenue Fund, and the funding progress of the City's pension plans.

Combining and individual fund statements and schedules provide information for non-major governmental and internal service funds and are presented immediately following the Required Supplementary Information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the condensed comparative Statement of Net Position for the fiscal years ended June 30, 2014 and 2013.

Comparative Statements of Net Position
June 30, 2014 and 2013
(Amounts in Millions)

	Governmental Activities	
	2014	2013
Assets:		
Cash and investments	$35.2	$31.8
Other assets	5.1	4.5
Capital assets, net	153.4	154.0
Total Assets	193.7	190.3
Liabilities:		
Long-term liabilities	14.2	14.9
Other liabilities	6.3	6.2
Total Liabilities	20.5	21.1
Net Position:		
Invested in capital assets, net of related debt	142.5	142.7
Restricted	12.8	13.2
Unrestricted	17.9	13.3
Total Net Position	$173.2	$169.2

Net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by $173.2 million. This is an increase of $4 million or 2.4% from the prior fiscal year. The reasons for this increase are detailed below in the comparative statements of activities and changes in net position.

The largest portion of the City's net position, $142.5 million (82%), is its investment in capital assets, less any related outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, resources required to repay the outstanding debt must be provided from other sources since the capital assets cannot be used to liquidate the debt.

Another portion of the City's net position, $12.8 million (8%), are resources subject to external restrictions and may only be used for the purpose intended by the entities that provided these funds to the City.

The remaining balance of the City's net position of $17.9 million (10%) represents unrestricted net assets, which may used to finance daily operations without constraints established by debt covenants or other legal requirements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The following table shows the condensed comparative Statements of Activities and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013.

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	$5.6	$4.2
Operating grants and contributions	0.9	1.1
Capital grants and contributions	2.7	2.3
Total program revenues	9.2	7.6
General revenues:		
Taxes:		
General property taxes	13.0	12.6
Sales tax	10.2	9.6
Franchise fees	2.9	2.9
Transient occupancy tax	4.3	3.7
Utility users tax	3.6	3.3
Other local taxes	1.3	1.1
Use of money and property	0.1	0.1
Miscellaneous	2.6	1.6
Total general revenues	38.0	34.9
Total Revenues	47.2	42.5
Expenses:		
General government	4.6	3.8
Public safety:		
Fire	8.7	8.7
Police	15.3	14.7
Streets and parks	6.7	9.8
Community development	3.1	2.7
Recreation	4.2	3.8
Interest on long-term debt	0.4	0.5
Total Expenses	43.0	44.0
Increase (decrease) in net position	4.2	(1.4)
Net position - beginning, restated	169.0	170.6
Net position - ending	$173.2	$169.2

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The City's expenses totaled $43 million in fiscal year 2014. These expenses were offset by program revenues of $9.2 million and general revenues of $38.0 million, resulting in a $4.2 million increase in net position.

Program Revenues – Program Revenues include fees and other specific charges designed to cover all or part of the costs of programs provided to the citizens. Fiscal year 2014 charges for services revenue was $1.3 million higher compared to the prior fiscal year. $0.7 million of this increased revenue was due to a full year of having the Silliman Aquatic Center open, compared to the previous fiscal year when it was closed for nine month for painting repairs. In addition, Community Development charges for services revenue was $0.6 million higher compared to the previous year as a result of increased construction activity. Capital Grants and Contributions were $0.4 million higher as more funding was received for street construction and repairs.

General Revenues – Comprising the largest source of revenue for the City, both the City's property tax revenues and sales tax revenue were higher by 4% and 6%, respectively, compared to the prior fiscal year. Transient occupancy tax revenue also increased $0.6 million, or 17%, reflecting both an increase in hotel occupancy rates and room rates, and the utility users tax was also favorable compared to the prior fiscal year by 8%.

Expenses - Expenses decreased in total by $0.9 million or by 2%, and is largely attributed to the decrease in streets and parks expenditures compared to the previous fiscal year as fiscal year 2013 included $2.6 million of maintenance expenditures for the Silliman Paint corrections project. This year over year decrease more than offset the increases in the other governmental activities expenditures.

FUND FINANCIAL ANALYSIS

Governmental Funds

The City's governmental funds provide information on short-term inflows, outflows, and balances of spendable resources. This information is useful in evaluating the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of fiscal year.

At June 30, 2014, the City's combined governmental fund balances were $32.4 million, an increase of $4.1 million or 14.5% compared with the prior fiscal year. Of this amount, approximately $5.7 million represents restricted spendable fund balance and $9.1 million represents assigned spendable fund balance. Further detail of the fund balances can be found in the note disclosures.

Governmental revenues in fiscal year 2014 were $47.4 million, which was an increase of $5.4 million from fiscal year 2013. Almost all revenue categories were higher over the previous fiscal year.

FUND FINANCIAL ANALYSIS, Continued

Governmental Funds, Continued

Governmental expenditures in fiscal year 2014 were $43.2 million, a decrease of $0.1 million from the prior fiscal year. Lower project expenditures in the State Construction Maintenance Special Revenue Fund and the Capital Projects Fund (namely the Silliman Aquatic Center paint corrections project) more than offset the increase in the General Fund expenditures which was due to increased staffing costs, increased professional services costs resulting from a change in accounting process, and higher Recreation expenditures due to the reopening of the Silliman Aquatic Center which had been closed for nine months during fiscal year 2013.

The following provides financial analysis on the major funds of the City:

General Fund

The General Fund is the primary operating fund of the City. At June 30, 2014, the spendable assigned and unassigned fund balance of the General Fund was $19.0 million, while total fund balance was $19.6 million. The City Council has maintained an operating reserves to provide the City a cushion for unexpected events, such as legal liability or costs associated with an unexpected disaster. The assigned fund balance also includes balances assigned for use in waste management, future liability of the fire contract, and fiscal year 2015 equipment replacement. The remainder of $10.8 million resides in the fiscal uncertainty fund.

The fund balance of the City's General Fund increased by $3.9 million from fiscal year 2013. Revenues exceeded expenditures by $4.4 million. Transfers out from the General Fund to the Debt Service Fund and Internal Service Funds were $0.5 million more than the total transfer in from the Gas Tax Funds, Paramedic Tax Fund, and Alameda County Fire Fees Fund. Almost all revenue categories were higher compared to the previous fiscal year.

State Construction Maintenance Special Revenue Fund

The State Construction Maintenance Special Revenue Fund showed a $0.5 million increase in fund balance during fiscal year 2014. Revenues exceeded expenditures by $1.0 million with transfers out to the General Fund for street improvements totaling $0.5 million.

Capital Projects Fund

The Capital Projects Fund showed a decrease in fund balance of $0.7 million during fiscal year 2014. Expenditures exceeded revenues by $1.2 million, and $0.5 was transferred in from the General Fund and Community Development Maintenance Special Revenue Fund.

Proprietary Funds

The City's proprietary funds consist of the Internal Service Funds with a combined total net position of $3.5 million at the end of fiscal year 2014. Total operating revenues of $4.3 million exceeded operating expenses of $3.4 million. Adding transfers in of $0.3 million from the General Fund, the result was a $1.1 million increase in net position for the fiscal year. This change in net position is primarily due to the decrease in

contractual payments in the Public Liability Self-Insurance Fund and Worker's Compensation Self-Insurance Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented in the Required Supplementary Information.

Fiscal year 2014 was the second year of the City's biennial budget which was adopted on June 28, 2012. The General Fund budget for fiscal year 2014 was amended during the year by $3.9 million in anticipation of higher property tax, sales tax, transient occupancy tax, and miscellaneous revenue.

Actual expenditures for the fiscal year were $1.7 million over the original budget and $0.9 million under the final amended budget. Actual revenues were $6 million over the original budget and $2 million over the final amended budget.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's capital assets include those assets that are used in the performance of the City's services. At June 30, 2014, the City's capital assets used in governmental activities amounted to $153.4 million, net of depreciation.

Capital assets for governmental activities are presented below to illustrate changes from prior fiscal year (amounts in millions):

	Governmental Activities	
	2014	2013
Land	$4.4	$4.4
Park land	30.1	30.1
Landscaping	8.7	8.9
Street trees	0.7	0.7
Construction in progress	1.6	0.0
Buildings and Improvements	44.0	43.7
Infrastructure:		
Streets	70.7	70.6
Sidewalks, curbs, gutters, and walls	14.8	14.1
Street lights	3.2	3.2
Traffic signals	3.9	3.9
Equipment	9.3	8.6
Less: accumulated depreciation	(38.0)	(34.3)
Total capital assets	$153.4	$153.9

Additional information on capital assets can be found in Note 4 to the Basic Financial Statements.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-term Obligations

At June 30, 2014, the City had long-term debt outstanding of $10.8 million compared to $11.2 million in the prior year. The City's long-term debt obligations at June 30, 2014 and 2013 were as follows (amounts in millions):

	Governmental Activities	
	2014	2013
Certificates of participation	$2.2	$2.2
Bank refunding	8.3	8.7
Capital lease obligations	0.3	0.3
Total	$10.8	$11.2

Not included in the above total outstanding debt amount are the Area Improvement Districts Special Assessment Bonds issued to finance public improvements within specific districts in the City. At June 30, 2014, a total of $8.5 million in Area Improvement District debt was outstanding. This debt is secured by special assessments levied on the real property within the district issuing the debt. Although the City acts as the districts' agent in the collection and remittance of assessments, the City is not obligated in any manner for repayment of these bonds.

Additional information on long-term obligations is provided in Note 5 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT BIENNIAL BUDGET

The City's adopted biennial budget for 2014-2016 recognized that:

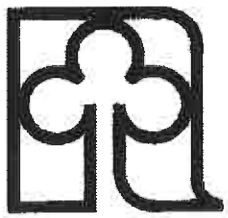
- Although the recession has been declared over, the rate of recovery has been slow. The biennial budget anticipates conservative revenue growth for the next two years.
- The effects of the CalPERS changes and healthcare reform are still unknown.
- The City's capital reserves are limited and growth is dependent on budget surpluses. Assignment of surplus funds depends on the continuation of the utility users tax.

Additional information about the City's economy and financial planning and policies is provided in the accompanying letter of transmittal in the Introductory Section of this report.

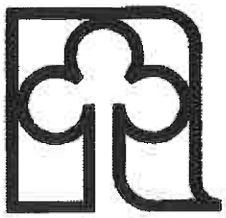
REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Newark, Finance Department, 37101 Newark Boulevard, Newark, California 94560-3796.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Newark
Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and investments	
Available for operations	$ 35,324,343
Receivables:	
Tax	2,906,038
Special assessments	5,496
Intergovernmental	403,592
Interest	17,828
Other, net	458,655
Supplies and other assets	206,216
Total current assets	39,322,168
Noncurrent assets:	
Restricted cash and investments	633,760
Due from RDA Successor fund	409,990
Capital assets:	
Land and construction in progress	45,515,815
Depreciable, net	107,865,965
Total capital assets	153,381,780
Total assets	193,747,698
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	2,422,619
Refundable deposits	707,229
Unearned revenues	136,391
Compensated absences - due within one year	1,935,400
Claims payable - due within one year	482,080
Long-term debt - due within one year	589,280
Total current liabilities	6,272,999
Noncurrent liabilities:	
Net OPEB liabilities	2,397,382
Compensated absences - due in more than one year	19,549
Claims payable - due in more than one year	1,556,407
Long-term debt - due in more than one year	10,268,645
Total liabilities	20,514,982
NET POSITION	
Net Investment in Capital Assets	142,523,855
Restricted for:	
Capital projects	7,317,823
Debt service	634,452
Grant-funded projects	3,770,627
Other Projects	1,082,618
Total restricted	12,805,520
Unrestricted	17,903,341
Total net position	$ 173,232,716

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Activities and Changes in Net Position
For the year ended June 30, 2014

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary Government:					
Governmental activities:					
General government	$ 4,642,488	$ 49,959	$ 84,712	$ -	$ 134,671
Public safety:					
Fire	8,664,816	114,940	-	-	114,940
Police	15,310,067	562,713	521,384	-	1,084,097
Streets and parks	6,743,088	529,970	-	2,724,507	3,254,477
Community development	3,051,797	1,858,468	168,006	-	2,026,474
Recreation	4,211,928	2,432,111	164,221	-	2,596,332
Interest on long-term debt (unallocated)	430,383	-	-	-	-
Total governmental activities	43,054,568	5,548,161	938,323	2,724,507	9,210,991

General Revenues and Transfers:	
Taxes:	
Property taxes	
Sales taxes	
Franchise taxes	
Transient occupancy tax	
Utility users tax	
Other local taxes	
Total taxes	
Intergovernmental—vehicle in-leiu, unrestricted	
Use of money and property	
Miscellaneous	
Total general revenues and transfers	
Change in net position	
Net position - beginning of year , restated	
Net position - end of year	

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position
Governmental Activities
$ (4,507,817)
(8,549,876)
(14,225,970)
(3,488,611)
(1,025,323)
(1,615,596)
(430,383)
(33,843,577)
13,035,256
10,182,129
2,938,284
4,319,709
3,644,068
1,271,606
35,391,052
18,828
69,581
2,562,364
38,041,825
4,198,248
169,034,468
$ 173,232,716

City of Newark
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	State Construction Maintenance Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments					
Available for operations	$ 18,575,392	$ 3,208,370	$ 6,314,045	$ 2,973,805	$ 31,071,612
Restricted cash and investments	46	-	-	633,714	633,760
Receivables:					
Taxes	2,773,007	133,031	-	-	2,906,038
Special assessments	-	-	-	5,496	5,496
Intergovernmental	98,095	106,106	-	199,391	403,592
Interest	14,069	1,623	1,147	989	17,828
Other, net	399,868	1,373	-	30,276	431,517
Due from other funds	32,912	-	-	-	32,912
Supplies and other assets	145,107	-	-	-	145,107
Due from Successor Redevelopment Agency	409,990	-	-	-	409,990
Total assets	$ 22,448,486	$ 3,450,503	$ 6,315,192	$ 3,843,671	$ 36,057,852
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 1,615,001	$ 122,865	$ 155,906	$ 325,899	$ 2,219,671
Refundable deposits	694,460	12,769	-	-	707,229
Due to other funds	-	-	-	32,912	32,912
Unearned revenues	136,391	-	-	-	136,391
Total liabilities	2,445,852	135,634	155,906	358,811	3,096,203
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	444,611	68,955	-	-	$ 513,566
Total deferred inflows of resources	444,611	68,955	-	-	513,566
Fund Balances:					
Non-spendable	555,097	-	-	-	555,097
Restricted	-	3,245,914	-	2,508,243	5,754,157
Committed	-	-	-	303,566	303,566
Assigned:					
Fire side fund	613,000	-	-	-	613,000
Equipment replacement, Fund 034	404,539	-	-	-	404,539
Waste disposal fund, Fund 023	817,479	-	-	-	817,479
Pension/OPEB Reserves	150,000	-	-	-	150,000
Community Development, Fund 037	241,891	-	-	-	241,891
Community Development, Fund 025	-	-		673,051	673,051
Capital asset acquisition	-	-	6,159,286	-	6,159,286
Unassigned:					
Catostrophic contingencies	6,000,000	-	-	-	6,000,000
Fiscal uncertainty, Fund 004	10,776,017	-	-	-	10,776,017
Total fund balances	19,558,023	3,245,914	6,159,286	3,484,860	32,448,083
Total liabilities, deferred inflows of resources, and fund balances	$ 22,448,486	$ 3,450,503	$ 6,315,192	$ 3,843,671	$ 36,057,852

City of Newark
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	$ 32,448,083
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	151,997,796
Revenues from Grants, Sales Tax, and Miscellaneous Revenue that are funded in this fiscal year that will not be collected for several months after the City's fiscal year ends are not considered "available" revenue and are classified as unearned revenue in the governmental funds.	513,566
Internal service funds were used by management to charge the costs of certain activities, such as equipment replacement, maintenace, and insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the following line items in the Government-Wide Statement of Net Assets.	
- Cash and investments available for operations	4,252,731
- Supplies and other assets	88,247
- Capital assets	1,383,984
- Accounts payable and accrued liabilities	(160,402)
- Claims payable	(2,038,487)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
- OPEB Liabilities	(2,397,382)
- Long-term debt	(10,857,925)
- Interest payable	(42,546)
- Compensated absences	(1,954,949)
Net Position of Governmental Activities	$ 173,232,716

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	General Fund	State Construction Maintenance Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	$ 13,035,256	$ -	$ -	$ -	$ 13,035,256
Other local taxes	22,199,940	-	-	-	22,199,940
Special assessments	-	-	-	319,156	319,156
Licenses, permits and fees	1,443,198	-	-	-	1,443,198
Fines and forfeitures	362,429	-	-	-	362,429
Use of money and property	54,219	6,617	4,957	3,789	69,582
Other governmental agencies	207,905	2,154,982	-	1,674,420	4,037,307
Current service charges	3,754,002	1,933	638,578	209,404	4,603,917
Other revenue	1,082,683	-	38,334	253,305	1,374,322
Total revenues	42,139,632	2,163,532	681,869	2,460,074	47,445,107
EXPENDITURES:					
Current:					
General government	4,525,982	-	-	-	4,525,982
Public safety:					
Fire	8,441,662	-	-	18,199	8,459,861
Police	14,872,376	-	-	409,303	15,281,679
Streets and parks	2,864,881	1,069,611	20,552	395,199	4,350,243
Community development	2,906,843	-	38,500	59,360	3,004,703
Recreation	3,795,576	-	-	153,094	3,948,670
Capital outlay	156,573	51,257	1,789,470	613,625	2,610,925
Debt service:					
Principal repayment	119,223	-	-	453,090	572,313
Interest and fiscal charges	14,898	-	-	415,361	430,259
Total expenditures	37,698,014	1,120,868	1,848,522	2,517,231	43,184,635
REVENUES OVER (UNDER) EXPENDITURES	4,441,618	1,042,664	(1,166,653)	(57,157)	4,260,472
OTHER FINANCING SOURCES (USES):					
Capital lease	156,573	-	-	-	156,573
Transfers in	874,000	-	468,084	869,500	2,211,584
Transfers out	(1,529,870)	(500,000)	-	(474,000)	(2,503,870)
Total other financing sources (uses)	(499,297)	(500,000)	468,084	395,500	(135,713)
Net change in fund balances	3,942,321	542,664	(698,569)	338,343	4,124,759
FUND BALANCES:					
Beginning of year	15,615,702	2,703,250	6,857,855	3,146,517	28,323,324
End of year	$ 19,558,023	$ 3,245,914	$ 6,159,286	$ 3,484,860	$ 32,448,083

See accompanying Notes to Basic Financial Statements.

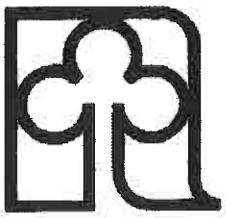
City of Newark

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position

For the year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	$ 4,124,759
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:	
Governmental funds reported additions of capital assets as capital outlay and program expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period (net of Internal Service Funds, $629,072).	2,454,352
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds (net of Internal Services Funds, $263,885).	(3,539,732)
Revenues from Grants and Sales Tax that are funded in this fiscal year that will not be collected for several months after the City's fiscal year ends are not considered "available" revenue and are classified as unearned revenue in the governmental funds.	(154,958)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities:	
- Repayment of debt principal is added back to fund balance	572,313
The amounts below included in the Statement of Activities do not provide or require the use of current financial resources, and therefore are not reported as revenue or expenditures in governmental funds (net change):	
- OPEB expenses	(356,028)
- Interest payable	(124)
- Compensated absences	(48,794)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds was reported with governmental activities.	1,146,460
Change in Net Position of Governmental Activities	$ 4,198,248

See accompanying Notes to Basic Financial Statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Fund

Internal service funds account for the City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services to other City funds be financed through user charges to those funds.

City of Newark
Statement of Net Position
Proprietary Funds
June 30, 2014

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	$ 4,252,731
Other receivables	27,138
Supplies and other assets	61,109
Total current assets	4,340,978
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,383,984
Total assets	5,724,962
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	160,402
Claims payable - due within one year	482,080
Total current liabilities	642,482
Noncurrent liabilities:	
Claims payable - due in more than one year	1,556,407
Total liabilities	2,198,889
NET POSITION	
Net Investment in Capital Assets	1,383,984
Unrestricted	2,142,089
Total net position	$ 3,526,073

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2014

	Governmental Activities - Internal Service Funds
OPERATING REVENUES:	
Charges to departments	$ 4,249,757
Other revenue	53,475
Total operating revenues	4,303,232
OPERATING EXPENSES:	
Personnel services	879,585
Materials and supplies	438,470
Contractual services	806,571
Utilities	568,553
Insurance claims and premiums	454,661
Depreciation	263,885
Total operating expenses	3,411,725
OPERATING INCOME (LOSS)	891,507
NONOPERATING REVENUES (EXPENSES):	
Transfers in	292,286
Loss on disposal of capital assets	(37,333)
Total nonoperating revenues (expenses)	254,953
Change in net position	1,146,460
NET POSITION:	
Beginning of year	2,379,613
End of year	$ 3,526,073

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2014

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from other funds	$ 4,283,459
Payments to suppliers/other fund	(1,856,812)
Payments to employees	(879,585)
Claims paid	(974,673)
Net cash provided by operating activities	572,389
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund receipts	292,286
Net cash provided by noncapital financing activities	292,286
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(629,072)
Net cash used by capital and related financing activities	(629,072)
Net increase in cash and cash equivalents	235,603
CASH AND CASH EQUIVALENTS:	
Beginning of year	4,017,128
End of year	$ 4,252,731
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ 891,507
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	263,885
Changes in current assets and liabilities:	
Other assets	(35,526)
Accounts payable and accrued liabilities	(547,477)
Total adjustments	(319,118)
Net cash provided (used) by operating activities	$ 572,389

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Redevelopment Successor Agency Funds

This private purpose trust fund accounts for the Redevelopment Agency Successor Agency funds. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

City of Newark
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

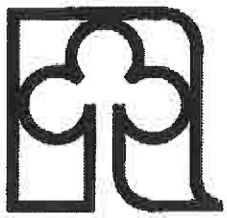
	Agency Funds	RDA Successor Agency Funds
ASSETS		
Cash and investments	$ 4,300,092	$ 6,377
Receivables - Interest	3,283	-
Total assets	$ 4,303,375	$ 6,377
LIABILITIES		
Due to bondholders	$ 4,303,375	$ -
Unearned revenue	-	6,377
Note Payable	-	409,990
Total liabilities	$ 4,303,375	$ 416,367
NET POSITION		
Held in trust for RDA Successor Funds		$ (409,990)

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	RDA Successor Agency Funds
ADDITIONS:	
Other income	$ 42,861
Total additions	42,861
DEDUCTIONS:	
Expenses	1,256
Total deductions	1,256
Change in net position	41,605
Net Position - beginning	(451,595)
Net Position - ending	$ (409,990)

See accompanying Notes to Basic Financial Statements.



City of Newark
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For the year ended June 30, 2014

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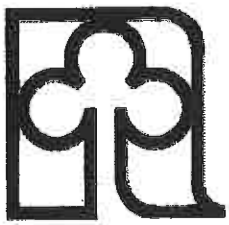

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Newark (City) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. *Reporting Entity*

The financial statements of the City of Newark include the financial activities of the City as well as the financial activities of its component unit, which is the entity for which the City is financially accountable. The City Council serves as the governing board to the Newark Public Financing Authority. The Newark Public Financing Authority is controlled entirely by the City, which also performs all their administrative and accounting functions. Its financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

In previous years, the Newark Betterment Corporation was presented as a discrete component unit, and reported as a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The Corporation is a separate legal entity whose purpose is to financially support various cultural, art, and music programs for the benefit of the residents of the City of Newark.

Effective June 30, 2014, the Newark Betterment Corporation will no longer be included in the City of Newark's financial statements to avoid confusion that the Newark Betterment Corporation is part of the City of Newark. Separate financial statements for the Newark Betterment Corporation may be obtained from the City of Newark.

The following entity is reported as a blended component unit:

Newark Public Financing Authority (Authority) – The Authority provides financing assistance to the City and has been included in these financial statements in the COPS Interest and Redemption Debt Service Fund. City Council serves as the governing board of the Authority. The Authority is controlled entirely by the City, which also performs all their administrative and accounting functions.

B. *Basis of Accounting, Measurement Focus, and Financial Statement Presentation*

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation, Continued

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out
- Interfund charges

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

The City reports the following major governmental funds:

The *General Fund* – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures, and interest income. Expenditures are made for public safety and other services not required to be accounted for in another fund. The Waste Augmentation Fund was included in the General Fund effective for the year ended June 30, 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting, Measurement Focus, and Financial Statement Presentation, Continued*

The *State Construction Maintenance Special Revenue Fund* – accounts for gas tax funds received from the State, Transportation Development Act funds received from the Metropolitan Transportation Commission, funds received from federal grants (ISTEA, HES), and developers. These funds are to be used for various street construction and maintenance projects.

The *Capital Projects Fund* – accounts for financial resources used in major capital acquisition and construction activities and in the renovation, replacement, and maintenance of the City's major capital assets.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the Balance Sheet and recognized as revenue.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting, Measurement Focus, and Financial Statement Presentation, Continued*

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Internal service fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements, and are comprised of the following funds:

The *Internal Service Funds* – account for equipment replacement and operations, office support, building maintenance, and public liability and worker's compensation self-insurance; all of which are provided to other departments on a cost-reimbursement basis.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Changes in Net Position. The City's fiduciary funds represent agency funds and do not involve measurement of results of operations. The fiduciary funds are accounted for using the accrual basis of accounting.

The City reports the following fiduciary funds:

The *Agency Fund* – accounts for assets held by the City as an agent for individuals, private organizations and other governments. The City's agency fund accounts for the assets held by the City as an agent for the Area Improvement District. The financial activities of this fund are excluded from the Government-Wide Financial Statement, but are presented in separate Fiduciary Fund Financial Statements.

The *Successor Redevelopment Agency Private Purpose Trust Fund* – accounts for assets held by the City for the Successor Redevelopment Agency fund.