City of Newark

Newark, California

Comprehensive Annual Financial Report

For the year ended June 30, 2011

Prepared by:
Finance Department
Susie Woodstock
Administrative Services Director

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

City of Newark

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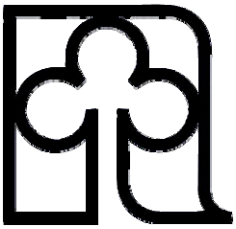


CITY OF NEWARK, CALIFORNIA

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

January 31, 2012

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, 2011. 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 Caporicci & Larson, Inc., a subsidiary of Marcum, LLP has rendered its unqualified opinion on the City's financial statements for the year ended June 30, 2011. 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.

This year the City met the threshold of federal funding to be required to prepare a “Single Audit”. A Single Audit is designed to meet the needs of the federal grantor agencies with a special emphasis on internal controls and legal requirements involved in the administration of federal awards. The Single Audit is available as a separate report.

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, 2011, the City's population was estimated by the California Department of Finance at 44,380, 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 full 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 Alameda County Fire Department.

The City's financial report includes all funds and activities of the City of Newark as the primary government and its component units. These component units are the Newark Redevelopment Agency, Newark Public Financing Authority and the Newark Betterment Corporation. The Newark Redevelopment Agency and the Newark Public Financing Authority are blended component units because their governing boards consist of the all five members of the City Council. The Newark Betterment Corporation is a discrete component unit and funds are not blended in with City funds.

In December 2011, the California Supreme Court upheld AB 1x26 which dissolves redevelopment agencies. The Newark City Council has elected to act as the Successor Agency for the Newark Redevelopment Agency to close out all redevelopment activities and to settle all enforceable obligations of the Newark Redevelopment Agency.

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 economic downturn that started in the fourth quarter of 2007 and continued its decline through fiscal year 2009-2010 seems to have slowed in fiscal year 2010-2011. We are still seeing the effects of the housing and credit crisis that resulted in turmoil in the financial markets and falling home values. As the financial and housing markets collapsed, the national economy slipped into the most severe recession since the great depression. While the worst may be over, economic recovery is expected to be a long, slow process.

Over the last few years the economic recession has caused downward pressure on the City's budget due to the twin burden of declining sales and property tax revenues. This fiscal year sales tax has shown a slight increase, but property tax revenues have continued to have a sharp decline.

Taxable sales in the Alameda County started to decline in early 2007 due to the rising unemployment and lower personal incomes. Sales tax transactions continued to be on a downward trend the following two years. Consumers have become much more cautious spenders and are more reluctant to make discretionary purchases. This year had three quarters with sales tax having a positive year over year comparison.

The average growth in property tax roll statewide had been over 8% since 1999. Alameda County saw growth rates in property tax revenue above 10% from 2006. The decline in real estate values resulted in reduced property tax revenue in both fiscal years 2009-10 and 2010-11. Rising foreclosure rates contributed to this loss due to higher delinquency rates throughout the County. The fiscal stress of declining property tax revenues is particularly difficult since it is a historically stable revenue source and the City relies on it for discretionary services.

Long-Term Financial Planning

The City has established the Operating Reserves, which is approximately 15% of the operating budget to cover emergency or disaster. The funds are not intended for normal unanticipated expenditures.

The City had developed a budget balancing reserve (previously known as the PERS Reserve, now called Fiscal Uncertainty Reserve) to provide cushion for a possible economic slow down, recession, or revenue losses due to legislative acts. The City has had to use this reserve on a number of occasions over the past several years. This reserve was completely depleted in 2009-10. In 2010-2011, revenue was placed in this fund from development activities and unbudgeted Utility User Tax revenue.

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 sale of City's capital assets. The lack of budget surpluses in the General Fund over the past four years has resulted in much lower funding levels available for capital projects. Capital spending was focused on asset preservation of the City's building, 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.

Relevant Financial Policies

Over the course of the past four years the City has conducted numerous work sessions regarding the impacts of the economic decline on the City Budget. As a result there were significant General Fund budget reductions in April 2008, July 2009 and February 2010. The adopted 2010-11 budget is $7.7 million less than the adopted budget for fiscal year 2007-08. This represented almost an 18.8% reduction.

Every Department has been impacted by these budget cuts and they have resulted in significant reductions in staffing. The number of full time equivalent (FTE) positions has been reduced from 308 in 2007-08 to 175.8 in 2010-11. This represents a 42% decline in staffing. These figures include a reduction of 46.5 FTE's that resulted from the elimination of the Newark Fire Department with a contract for fire services with the Alameda County Fire Department. These reductions corrected the structural deficit the City was facing.

Major Initiatives

- ***Utility Users Tax*** - A local revenue measure was approved by the voters in November 2010. This is a utility user tax that is expected to generate approximately $2.3 million annually in new revenue. The infusion of this new revenue will allow the restoration of some of the services cut over the past four years and the funding of reserves for fiscal uncertainty, equipment replacement, and capital projects.

- ***Department of Justice*** - City has received federal funds to hire two police officers for three years.

- ***Planning Areas 3 and 4*** - The City Council has approved a Specific Plan and Development Agreement to guide the development of Areas 3 and 4. The approved project will provide for 1260 Housing units, a school site, approximately 200 acres of open space, key infrastructure, and the potential for a championship quality golf course. The project could start construction in 2012 and will be built out over 10- 25 years.

- ***Dumbarton Transit-Oriented Development (formerly Planning Area 2)*** - In collaboration with Area 2 landowners, the City of Newark began planning in the fall of 2007 to explore potential development in Area 2 including the planned Newark Dumbarton Rail Station. The planning effort included community meetings and public hearings before the Planning Commission and City Council. The Specific Plan was adopted in September, 2011.

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, 2010. 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, Caporicci & Larson, for their cooperation and assistance.

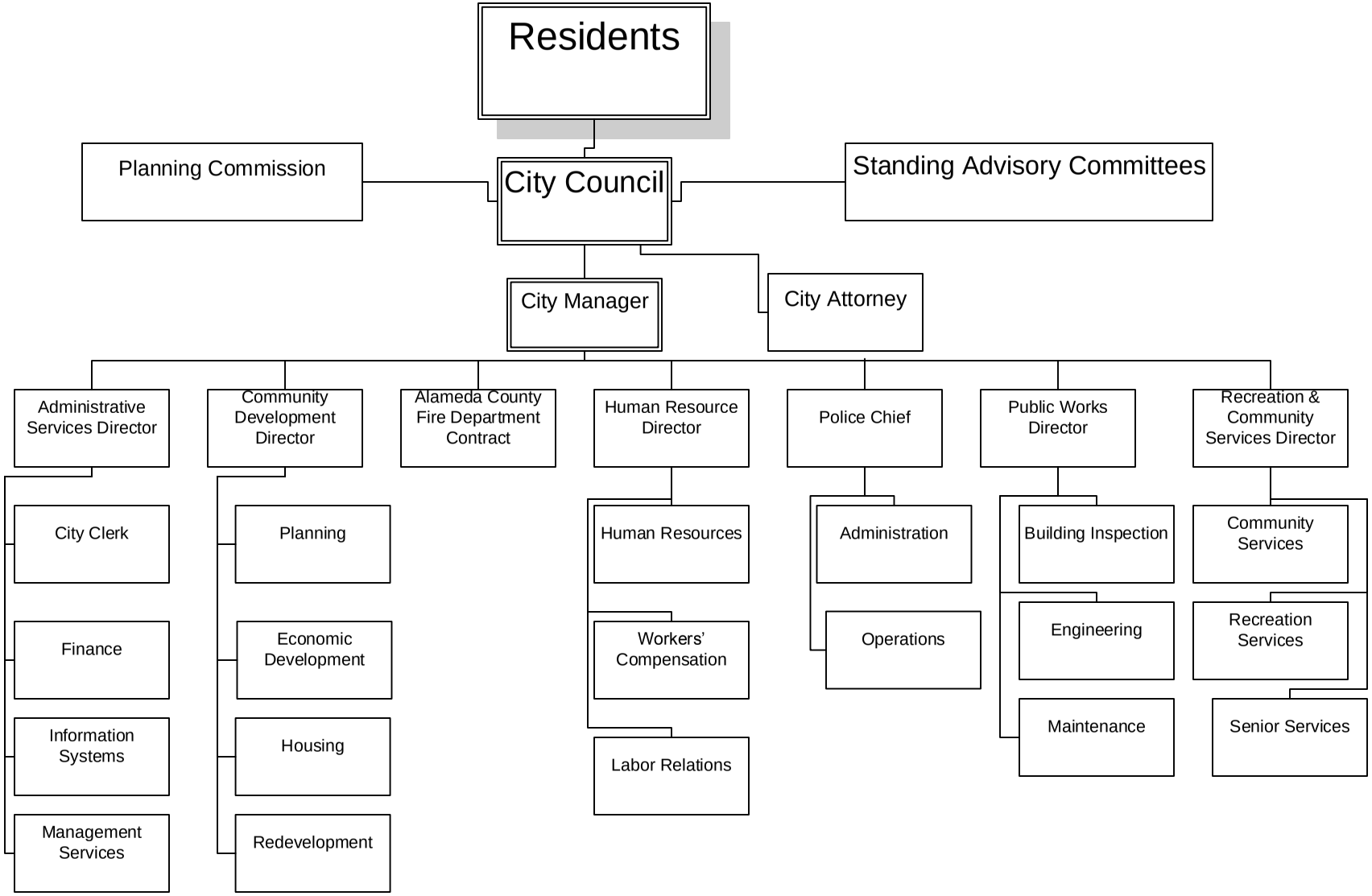
Finally, sincere appreciation is expressed to the City Manager and members of City Council for providing policy direction and support in planning and conducting the financial operations of the City that assures resources are available in providing programs and core services to the citizens of the City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

Respectfully submitted,

Susie Woodstock
Administrative Services Director

City of Newark

Organization Chart

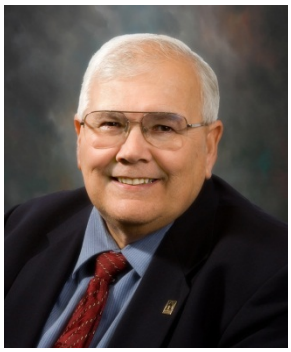


Newark Mayor & City Council

June 30, 2011

David W. Smith
Mayor

Alan Nagy
Vice Mayor



Luis L. Freitas
Council Member

Ana Apodaca
Council Member

Alberto T. Huezo
Council Member

CITY STAFF

June 30, 2011

CITY MANAGER
John Becker

CITY ATTORNEY
Gary T. Galliano

EXECUTIVE TEAM

ADMINISTRATIVE SERVICES DIRECTOR
Susie Woodstock

COMMUNITY DEVELOPMENT DIRECTOR
Terrence Grindall

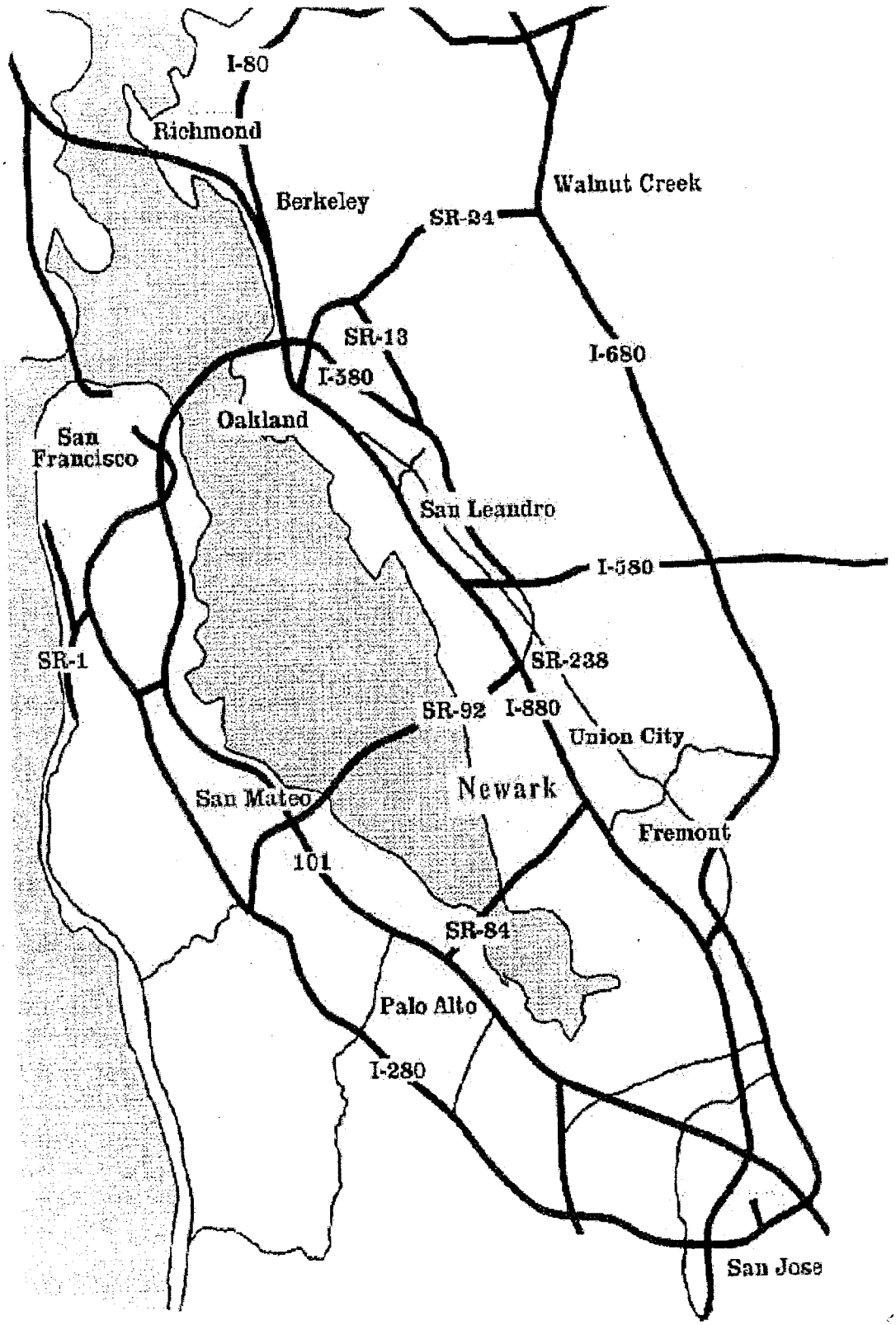
FIRE CHIEF
Sheldon Gilbert

HUMAN RESOURCES DIRECTOR
Sandy Abe

POLICE CHIEF
James Leal

PUBLIC WORKS DIRECTOR
Peggy Claassen

RECREATION & COMMUNITY SERVICES DIRECTOR
David Zehnder


I-80
Richmond
Berkeley
Walnut Creek
SR-24
SR-13
I-580
I-680
Oakland
San Francisco
San Leandro
I-580
SR-1
SR-238
SR-92
I-880
Union City
Newark
San Mateo
Fremont
101
SR-84
Palo Alto
I-280
San Jose

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Newark
Newark, California

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 10 to the basic financial statements, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies. The full impact of this most recent development is not known at this time.

As described in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instrument Omnibus*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 20 and 94 through 97, respectively is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 31, 2012

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, 2011. 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, 2011, the City assets exceeded its liabilities by $170.1 million. Approximately 85% 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 assets increased by $2.3 million.
- At June 30, 2011, the City's governmental funds reported combined ending fund balance of $27.7 million, an increase of $4.5 million compared to prior fiscal year.
- The City's General Fund balance increased by $2.5 million during fiscal year 2011.

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 Assets and the Statement of Activities.

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

The Statement of Activities provides information on how the City's net assets changed during the fiscal year. All changes in net assets 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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

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 17 governmental funds. The major governmental funds are the General Fund, State Construction Maintenance Special Revenue Fund, Capital Projects Fund, Redevelopment Agency 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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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.

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 and the State Construction Maintenance Special Revenue Fund and the funded status 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 Assets for the fiscal years ended June 30, 2011 and 2010.

Comparative Statements of Net Assets
June 30, 2011 and 2010
(Amounts in Millions)

	Governmental Activities	
	2011	2010
Assets:		
Cash and investments	$29.8	$24.4
Other assets	4.0	5.0
Capital assets, net	157.1	158.8
Total Assets	190.9	188.2
Liabilities:		
Long-term liabilities	15.0	14.9
Other liabilities	5.9	5.6
Total Liabilities	20.9	20.5
Net Assets:		
Invested in capital assets, net of related debt	144.7	145.9
Restricted	18.5	10.4
Unrestricted	6.9	11.5
Total Net Assets	$170.1	$167.8

Net assets may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by $170.1 million. This is an increase of $2.3 million or 1.4% from the prior fiscal year. The reasons of this increase are detailed below in the comparative statements of activities and changes in net assets.

The largest portion of the City's net assets, $144.7 million (85%), 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 assets, $18.5 million (11%), 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 assets of $6.9 million (4%) represents unrestricted net assets, which may used to finance daily operations without constraints established by debt covenants or other legal requirements.

The City's cash and investments increased by $5.4 million. This was largely due to the receipt of a $3.2 million settlement payment in the Capital Projects Fund related to the Silliman Aquatic Center.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The following table shows the condensed comparative Statements of Activities and Changes in Net Assets for the fiscal years ended June 30, 2011 and 2010.

Comparative Statements of Activities and Changes in Net Assets
June 30, 2011 and 2010
(Amounts in Millions)

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	$5.1	$5.5
Operating grants and contributions	1.8	3.2
Capital grants and contributions	1.5	2.7
Total program revenues	8.4	11.4
General revenues:		
Taxes:		
General property taxes	11.8	12.6
Sales tax	8.8	6.7
Franchise fees	2.5	2.5
Transient occupancy tax	2.8	2.3
Other local taxes	1.9	1.0
Use of money and property	0.1	0.1
Miscellaneous	4.6	0.5
Total general revenues	32.5	25.7
Total Revenues	40.9	37.1
Expenses:		
General government	3.8	4.0
Public safety:		
Fire	8.3	9.0
Police	12.5	13.8
Streets and parks	5.7	6.8
Community development	2.8	2.9
Recreation	4.9	4.7
Interest on long-term debt	0.6	0.6
Total Expenses	38.6	41.8
Increase (decrease) in net sssets	2.3	(4.7)
Net assets - beginning	167.8	172.5
Net assets - ending	$170.1	$167.8

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The City's expenses totaled $38.6 million in fiscal year 2011. These expenses were partially offset by program revenues of $8.4 million. General revenues of $32.5 million financed the remainder, resulting in an increase in net assets of $2.3 million.

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. Operating grants and contributions decreased by $1.4 million due primarily to the lower number of grants received for public safety.

General Revenues – The economic recovery has been slow since the recession that started in the last half of 2007. Although the City's property tax revenues decreased by $0.7 million, sales tax revenue was $1.6 million higher compared to the prior fiscal year. This sales tax increase is partly due to the $0.8 million increase in the "triple flip" sales tax replacement payment, while the remainder is due to the steady improvement of sales tax. Transient occupancy tax revenue increased $0.5 million, reflecting both an increase in hotel occupancy rates and room rates. The increase in other local tax revenue is largely due to the utility users tax revenue which was passed by Measure U in November 2010. Miscellaneous revenue is significantly higher compared to the prior fiscal year as it reflects the receipt of a $3.2 million settlement payment related to the Silliman Aquatic center.

Expenses - Expenses decreased in total by $3.2 million or 8%. The decline in expenses was a result of operating budget reductions for departments throughout the City that was intended to balance the budget and to address the pressures of the declining economy. Beginning in May 2010, significant reductions were made to both salary and non-salary expenses and included eliminating 33.45 Full Time Equivalent positions through layoffs, reducing employee hours, elimination of temporary positions, and reductions in materials and supplies throughout the City.

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, unreserved 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, 2011, the City's combined governmental fund balances were $27.7 million, an increase of $4.5 million or 19% compared with the prior fiscal year. Of this amount, approximately $6.8 million represents restricted fund balance and $20.8 million represents assigned fund balance. Further detail of the fund balances can be found in the note disclosures.

FUND FINANCIAL ANALYSIS, Continued

Governmental Funds, Continued

Governmental revenues in fiscal year 2011 were $41.8 million. This was an increase of $6.5 million from fiscal year 2010. The economy is still slow in its recovery and some of the increase will not be anticipated in the near future. Of the $6.5 million increase, $3.2 million was a settlement payment received related to the Silliman Aquatic Center lawsuit. The increase in the "triple flip" sales tax replacement payment was also much lower in the prior fiscal year, resulting in an increase of $0.8 million - a similar increase is not expected in the current fiscal year. The passage of Measure U in November 2010 approved the utility users tax revenue which was first collected in March 2010. In the last four months of fiscal year 2011, $0.8 million was collected from this new revenue stream. Both sales tax and transient occupancy tax revenues increased over the prior year.

Governmental expenditures in fiscal year 2011 were $37.4 million, a decrease of $3.8 million from the prior fiscal year. Most of the decrease in governmental fund expenditures was due to cost cutting measures taken by every department throughout the City to balance the City's budget and to address the negative impact of the economic downturn.

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, 2011, the assigned fund balance of the General Fund was $8.6 million, while total fund balance was $9.2 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 fund balance of the City's General Fund increased by $2.5 million from fiscal year 2010. Revenues exceeded expenditures by $1.6 million. Transfers in totaling $1.9 million from the Redevelopment Agency, Gas Tax Funds and Alameda County Fire Fees Fund more than offset transfers out of $1.0 million to fund debt service payments. Revenues increased by $3.1 million and expenditures decreased by $2.7 from the prior year. The increase in revenues was primarily due to the increase in sales taxes, transient occupancy tax, and first time receipt of utility users tax revenue. The decrease in expenditures was due to cost reductions by departments throughout the City as noted above.

State Construction Maintenance Special Revenue Fund

The State Construction Maintenance Special Revenue Fund showed a $0.3 million decrease in fund balance during fiscal year 2011. Revenues exceeded expenditures by $0.2 million but transfers out to the General Fund for street improvements were $0.5 million.

FUND FINANCIAL ANALYSIS, Continued

Governmental Funds, Continued

Capital Projects Fund

The Capital Projects Fund showed an increase in fund balance of $2.6 million in fiscal year 2011. The increase is largely attributed to a settlement payment received on construction litigation for the George Silliman Community Activity Center.

Redevelopment Agency Capital Projects Funds

The fund balance of the Redevelopment Agency Capital Projects Fund decreased by $0.3 million in fiscal year 2011. Total revenues of $0.8 million increased by $0.2 million from prior fiscal year due primarily to higher sales tax receipts. Total expenditures during the fiscal year were $0.1 million which represents a decline of $0.2 million from the prior fiscal year. The decline in expenditures is primarily due to prior year contractual payments to auto dealerships and expenditures for professional services related to the redevelopment project area expansion that did not recur.

Community Development Act Funds

The fund balance of the Redevelopment Community Development Act Funds decreased by $0.2 million in fiscal year 2011. Expenditures exceeded revenues due to the delay in the receipt of grant reimbursement revenue.

Proprietary Funds

The City's proprietary funds consist of the Internal Service Funds with combined total net assets of $1.4 million at the end of fiscal year 2011. Total operating revenues of $4.0 million exceeded operating expenditures of $3.7 million, resulting in a $0.3 million increase in net assets for the fiscal year. This change in net assets is $0.3 million higher than the prior year which is primarily due to the decrease in contractual payments in the workers compensation self-insurance fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Fiscal year 2011 was the first year of the City's biennial budget which was adopted on June 24, 2010. The General Fund budget for fiscal year 2011 was amended during the year by $0.2 million in anticipation of lower revenues and the additional revenue and expenditures from the utility users tax.

Actual expenditures for the fiscal year were $1.0 million over the original budget and $1.2 million over the final amended budget. Actual revenues were $2.1 million higher than each the final and amended budget as a result of the new utility users tax revenue, and increases in both the sales tax and transient occupancy tax as mentioned previously.

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, 2011, the City's capital assets used in governmental activities amounted to $157.1 million, net of depreciation.

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

	Governmental Activities	
	2011	2010
Land	$4.4	$4.4
Park land	30.1	30.1
Landscaping	8.7	8.7
Street trees	0.7	0.7
Buildings	43.5	44.4
Improvements other than buildings	0.2	-
Infrastructure:		
Streets	67.7	66.9
Sidewalks, curbs, gutters, and walls	13.7	13.6
Street lights	3.2	3.2
Traffic signals	3.9	3.9
Equipment	7.9	7.4
Less: accumulated depreciation	(26.9)	(24.5)
Total capital assets	$157.1	$158.8

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

Long-term Obligations

At June 30, 2011, the City had long-term debt outstanding of $12.4 million compared to $12.9 million in the prior year. The City's long-term debt obligations at June 30, 2011 and 2010 were as follows (amounts in millions):

	Governmental Activities	
	2011	2010
Certificates of participation	$11.9	$12.3
Capital lease obligations	0.5	0.6
Total	$12.4	$12.9

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-term Obligations, Continued

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, 2011, a total of $9.4 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 2010-2012 recognized that:

- Although the recession has been declared over, the timing and rate of recovery is still uncertain. The rate of decline in City revenues slowed but there are indications of only minor growth in some areas. The first year of the biennial budget anticipates essentially no revenue growth and the second year includes minimal growth.

- There have been significant budget reductions over the past three years to close the structural budget deficit caused by the severe decline in revenues. The biennial budget as adopted is balanced without the use of budget balancing reserves that had been necessary in the past years.

- The effects of the State's budget deficits are still unknown. There is still a potential for additional revenue losses from the State or shifts of service costs that will increase City expenses.

- The City's capital reserves are limited and growth is dependent on budget surpluses which are not anticipated in the next two years.

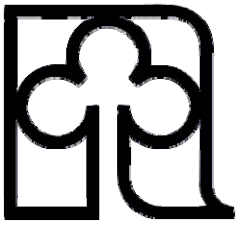
- Retirement costs will continue to increase over the next two years due to investment losses by CalPERS and actuarial changes.

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.

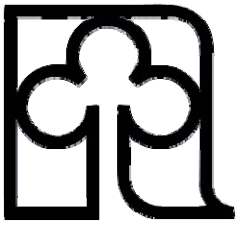
REQUEST FOR INFORMATION

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 Assets
June 30, 2011

	Primary Government	Discrete Component Unit
	Governmental Activities	Newark Betterment Corporation
ASSETS		
Current assets:		
Cash and investments		
Available for operations	$ 28,858,838	$ 285,374
Restricted cash and investments	967,122	-
Receivables:		
Tax	2,054,678	-
Special assessments	40,493	-
Intergovernmental	1,220,092	-
Interest	28,994	-
Other, net	446,260	-
Supplies and other assets	252,291	-
Total current assets	33,868,768	285,374
Noncurrent assets:		
Capital assets:		
Land and construction in progress	44,115,816	-
Depreciable, net	112,991,906	-
Total capital assets	157,107,722	-
Total assets	190,976,490	285,374
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,603,682	-
Refundable deposits	496,538	-
Unearned revenues	34,585	-
Compensated absences - due within one year	1,786,515	-
Claims payable - due within one year	484,372	-
Long-term debt - due within one year	477,727	-
Total current liabilities	5,883,419	-
Noncurrent liabilities:		
Net OPEB liabilities	1,318,538	-
Compensated absences - due in more than one year	26,239	-
Claims payable - due in more than one year	1,690,406	-
Long-term debt - due in more than one year	11,951,777	-
Total liabilities	20,870,379	-
NET ASSETS		
Invested in capital assets, net of related debt	144,678,218	-
Restricted for:		
Capital projects	11,968,798	-
Debt service	953,751	-
Redevelopment projects	84,238	-
Grant-funded projects	4,034,869	-
Other Projects	1,521,675	207,357
Total restricted	18,563,331	207,357
Unrestricted	6,864,562	78,017
Total net assets	$ 170,106,111	$ 285,374

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

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	$ 3,838,067	$ 97,777	$ 82,723	$ -	$ 180,500
Public safety:					
Fire	8,293,767	68,881	119,174	-	188,055
Police	12,535,015	752,613	576,956	-	1,329,569
Streets and parks	5,644,315	584,630	453,430	1,559,785	2,597,845
Community development	2,821,999	1,198,434	565,823	-	1,764,257
Recreation	4,865,037	2,348,733	39,640	-	2,388,373
Interest on long-term debt (unallocated)	618,006	-	-	-	-
Total governmental activities	38,616,207	5,051,068	1,837,746	1,559,785	8,448,599
Component unit:					
Newark Betterment Corporation	$ 79,824	$ 12,266	$ 79,974	$ -	$ 92,240

General Revenues and Transfers:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Transient occupancy tax

Other local taxes

Total taxes

Intergovernmental—vehicle in-leiu, unrestricted

Use of money and property

Miscellaneous

Total general revenues and transfers

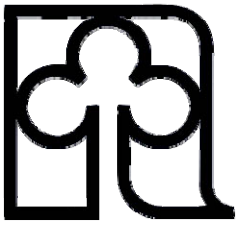
Change in net assets

Net assets - beginning of year

Net assets - end of year

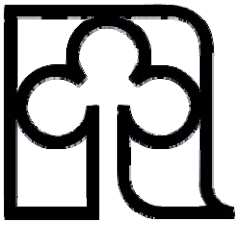
See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	Discrete Component Unit Newark Betterment Corporation
$ (3,657,567)	
(8,105,712)	
(11,205,446)	
(3,046,470)	
(1,057,742)	
(2,476,664)	
(618,006)	
(30,167,608)	
	$ 12,416
11,801,563	-
8,807,040	-
2,512,032	-
2,785,271	-
1,861,972	-
27,767,878	-
202,548	-
79,318	200
4,414,436	-
32,464,180	200
2,296,572	12,616
167,809,539	272,758
$ 170,106,111	$ 285,374



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements



GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

State Construction Maintenance Special Revenue Fund

Accounts for gas tax revenues from the State, and other transportation funds to be used for various street maintenance and construction projects.

Capital Projects Fund

The Capital Projects Funds accounts for financial resources to be used for capital acquisition, construction and rehabilitation projects.

Redevelopment Agency Capital Projects Fund

Accounts for funds received by the Agency to be used for redevelopment activities and capital projects for designated areas in the City. It also accounts for funds set asside to improve and increase supply of low- and moderate-income housing.

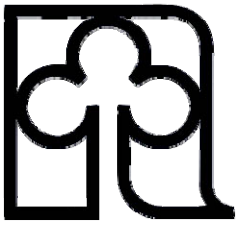
Community Development Act

Accounts for funds received from federal grants administered by the County to fund improvments to low-income housing and neighborhoods.

City of Newark
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	State Construction Maintenance Special Revenue Fund	Capital Projects Fund	Redevelopment Agency Capital Projects Fund
ASSETS				
Cash and investments				
Available for operations	$ 7,865,501	$ 3,528,045	$ 10,505,017	$ 402,671
Restricted cash and investments	-	-	-	-
Receivables:				
Taxes	1,906,457	-	-	148,221
Special assessments	-	-	-	-
Intergovernmental	280,240	203,114	-	-
Interest	22,756	3,585	1,623	108
Other, net	403,674	-	-	-
Due from other funds	439,647	-	-	-
Supplies and other assets	181,583	-	-	-
Advances to other funds	451,595	-	-	-
Total assets	$ 11,551,453	$ 3,734,744	$ 10,506,640	$ 551,000
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,833,615	$ 49,295	$ 7,311	$ 31,797
Refundable deposits	483,769	12,769	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	451,595
Deferred revenues	34,585	70,003	-	40,521
Total liabilities	2,351,969	132,067	7,311	523,913
Fund Balances:				
Non-spendable	633,178	-	-	-
Restricted	-	3,602,677	-	21,264
Assigned	8,566,306	-	10,499,329	5,823
Unassigned	-	-	-	-
Total fund balances	9,199,484	3,602,677	10,499,329	27,087
Total liabilities and fund balances	$ 11,551,453	$ 3,734,744	$ 10,506,640	$ 551,000

Community Development Act	Other Governmental Funds	Total Governmental Funds
$ -	$ 3,932,863	$ 26,234,097
-	967,122	967,122
-	-	2,054,678
-	40,493	40,493
467,994	268,744	1,220,092
-	922	28,994
-	42,586	446,260
-	-	439,647
-	-	181,583
-	-	451,595
$ 467,994	$ 5,252,730	$ 32,064,561
$ 24,318	$ 384,236	$ 2,330,572
-	-	496,538
439,647	-	439,647
-	-	451,595
467,994	-	613,103
931,959	384,236	4,331,455
-	-	633,178
-	3,130,793	6,754,734
-	1,737,701	20,809,159
(463,965)	-	(463,965)
(463,965)	4,868,494	27,733,106
$ 467,994	$ 5,252,730	$ 32,064,561



City of Newark

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

June 30, 2011

Total Fund Balances - Total Governmental Funds	$ 27,733,106
Amounts reported for governmental activities in the Statement of Net Assets 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.	155,981,866
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 deferred revenue in the governmental funds.	578,518
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	2,624,741
- Supplies and other assets	70,708
- Capital assets	1,125,856
- Accounts payable and accrued liabilities	(213,012)
- Claims payable	(2,174,778)
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	(1,318,538)
- Long-term debt	(12,429,504)
- Interest payable	(60,098)
- Compensated absences	(1,812,754)
Net Assets of Governmental Activities	$ 170,106,111

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, 2011

	General Fund	State Construction Maintenance Special Revenue Fund	Capital Projects Fund	Redevelopment Agency Capital Projects Fund
REVENUES:				
General property taxes	$ 11,765,905	$ -	$ -	$ 35,658
Other local taxes	15,129,091	-	-	796,703
Special assessments	-	-	-	-
Licenses, permits and fees	820,049	-	-	-
Fines and forfeitures	472,933	-	-	-
Use of money and property	59,074	10,637	5,972	294
Other governmental agencies	1,870,937	1,293,526	163,832	-
Current service charges	3,283,047	560	150,907	-
Other revenue	788,346	-	3,205,978	-
Total revenues	34,189,382	1,304,723	3,526,689	832,655
EXPENDITURES:				
Current:				
General government	3,739,014	-	-	-
Public safety:				
Fire	8,070,496	-	-	-
Police	12,560,272	-	-	-
Streets and parks	2,443,534	1,092,021	-	-
Community development	2,033,251	-	-	130,653
Recreation	3,648,499	-	636,656	-
Capital outlay	-	-	246,992	-
Debt service:				
Principal repayment	83,726	-	-	-
Interest, fiscal charges and issuance costs	27,482	-	-	-
Total expenditures	32,606,274	1,092,021	883,648	130,653
REVENUES OVER (UNDER) EXPENDITURES	1,583,108	212,702	2,643,041	702,002
OTHER FINANCING SOURCES (USES):				
Transfers in	1,860,000	-	-	-
Transfers out	(958,904)	(500,000)	-	(960,000)
Total other financing sources (uses)	901,096	(500,000)	-	(960,000)
Net change in fund balances	2,484,204	(287,298)	2,643,041	(257,998)
FUND BALANCES:				
Beginning of year, as restated	6,715,280	3,889,975	7,856,288	285,085
End of year	$ 9,199,484	$ 3,602,677	$ 10,499,329	$ 27,087

See accompanying Notes to Basic Financial Statements.

Community Development Act	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 11,801,563
-	-	15,925,794
-	442,677	442,677
-	-	820,049
-	-	472,933
-	3,885	79,862
150,186	1,096,929	4,575,410
-	173,051	3,607,565
-	128,341	4,122,665
150,186	1,844,883	41,848,518
-	-	3,739,014
-	11,112	8,081,608
-	164,380	12,724,652
-	688,456	4,224,011
264,963	337,709	2,766,576
-	127,771	4,412,926
94,000	33,488	374,480
-	370,000	453,726
-	594,036	621,518
358,963	2,326,952	37,398,511
(208,777)	(482,069)	4,450,007
-	1,383,904	3,243,904
-	(825,000)	(3,243,904)
-	558,904	-
(208,777)	76,835	4,450,007
(255,188)	4,791,659	23,283,099
$ (463,965)	$ 4,868,494	$ 27,733,106

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 Assets

For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$	4,450,007
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets 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 Assets, 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, $194,493).		1,660,354
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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, $221,880).		(3,321,384)
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 deferred revenue in the governmental funds.		(935,739)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities:		
- Repayment of debt principal is added back to fund balance		453,726
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		(346,857)
- Interest payable		3,512
- Compensated absences		28,249
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.		304,704
Change in Net Assets of Governmental Activities	$	2,296,572

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 Assets
Proprietary Funds
June 30, 2011

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	$ 2,624,741
Supplies and other assets	70,708
Total current assets	2,695,449
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,125,856
Total assets	3,821,305
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	213,012
Claims payable - due within one year	484,372
Total current liabilities	697,384
Noncurrent liabilities:	
Claims payable - due in more than one year	1,690,406
Total liabilities	2,387,790
NET ASSETS	
Invested in capital assets	1,125,856
Unrestricted	307,659
Total net assets	$ 1,433,515

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2011

	Governmental Activities - Internal Service Funds
OPERATING REVENUES:	
Charges to departments	$ 3,926,404
Other revenue	60,517
Total operating revenues	3,986,921
OPERATING EXPENSES:	
Personnel services	909,891
Materials and supplies	453,862
Contractual Services	902,880
Utilities	511,668
Insurance claims and premiums	682,036
Depreciation	221,880
Total operating expenses	3,682,217
OPERATING INCOME	304,704
NET ASSETS:	
Beginning of year	1,128,811
End of year	$ 1,433,515

See accompanying Notes to Basic Financial Statements.

City of Newark
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from other funds	$ 3,989,968
Payments to suppliers/other fund	(1,869,489)
Payments to employees	(909,891)
Claims paid	(473,315)
Net cash provided by operating activities	737,273
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(194,493)
Net cash (used) by capital and related financing activities	(194,493)
Net increase in cash and cash equivalents	542,780
CASH AND CASH EQUIVALENTS:	
Beginning of year	2,081,961
End of year	$ 2,624,741
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 304,704
Adjustments to reconcile operating income to net cash provided by operating activities:	-
Depreciation	221,880
Changes in current assets and liabilities:	
Other assets	(5,399)
Accounts payable and accrued liabilities	216,088
Total adjustments	432,569
Net cash provided by operating activities	$ 737,273

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.

City of Newark
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds
ASSETS	
Cash and investments	$ 4,290,756
Receivables - Interest	4,348
Total assets	$ 4,295,104
LIABILITIES	
Due to bondholders	$ 4,295,104
Total liabilities	$ 4,295,104

See accompanying Notes to Basic Financial Statements.

City of Newark
Index to Notes to Basic Financial Statements
For the year ended June 30, 2011

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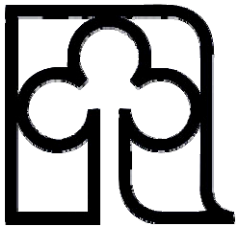


1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 units, which are entities for which the City is financially accountable. The City Council serves as the governing board of the Newark Redevelopment Agency and the Newark Public Financing Authority. These entities are controlled entirely by the City, which also performs all their administrative and accounting functions. These entities' financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements. The Newark Betterment Corporation is presented as a discrete component unit, which is reported as a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements for the Newark Redevelopment Agency and the Newark Betterment Corporation may be obtained from the City of Newark.

The following entities are reported as blended component units:

Newark Redevelopment Agency (Agency) – The Agency is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. City Council serves as the governing board of the Agency. The Agency is controlled entirely by the City, which also performs all their administrative and accounting functions. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency Capital Projects Fund.

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.

The following entity is reported as a discrete component unit:

Newark Betterment Corporation (Corporation) – 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. The financial activities of the Corporation have been included in these financial statements in the Newark Betterment Corporation Component Unit column of the Statement of Net Assets and the Statement of Activities. The governing board of the Corporation is the Board of Directors. Activities and affairs of the Corporation are conducted under the direction of the Board of Directors. The Corporation is included as a component unit of the City, because the nature and significance of its relationship with the City is such that its exclusion would cause the City's financial statements to be misleading or incomplete.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Assets and a Statement of Activities and Changes in Net Assets. 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, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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 Assets 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 Assets, 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 as well as private sector standards issued by the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply applicable FASB Statement and Interpretations issued after November 30, 1989.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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 net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that meet 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 *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.

The *Redevelopment Agency Capital Projects Fund* – accounts for funds received by the Agency as advances from the City's General Fund to prepare and carry out redevelopment plans and capital projects for designated areas in the City. It also accounts for property tax increment revenues received and set aside to improve and increase supply of low and moderate income housing in the City.

The *Community Development Act Fund* - accounts for funds received from federal grants administered by the County to fund improvements to low-income housing and neighborhoods.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Governmental Fund Financial Statements, Continued

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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred revenue is removed from the Combining 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 Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund.

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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Fund Financial Statements, Continued

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 Fiduciary Net Assets. 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 fund:

The *Agency Funds* – account 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 these funds are excluded from the Government-Wide Financial Statement, but are presented in separate Fiduciary Fund Financial Statements.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost, which approximates market value.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds.

E. Receivables

During the course of normal operations, the City carries various receivable balances for taxes, interest, grants and special assessments.

F. Property Taxes

Alameda County assesses properties and bills, collects and distributes property taxes, including special assessments, to the City. The County remits amounts collected and handles all delinquencies. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property; not real estate, land or buildings. These taxes are secured by liens on the property being taxed. The City does not participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the delinquent taxes.

Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they are collected within sixty days after the end of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Transactions

Interfund transactions are reflected as loans, services provided reimbursements or transfers. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, reported in the fund financial statements are not available for appropriation and are nonspendable financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide Financial Statements presentation.

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. The City has assigned the useful lives listed below to capital assets:

Buildings	60 years
Improvements other than buildings	20 -30 years
Infrastructure:	
Streets and bridges	40-50 years
Sidewalks, curbs, gutters, and walls	35-45 years
Street lights	25-30 years
Traffic signals	20 years
Equipment	5-30 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of asset constructed, net of interest earned on the invested proceeds over the same period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with GASB No. 34, the City has included the value of all infrastructure assets into its Basic Financial Statements, The City defines infrastructure as the basic physical assets that allow the City to function, which consists of the street system.

I. Compensated Absences

Compensated absences include unused accrued vacation, general leave, and compensatory time. The City's liability for compensated absences is recorded at the Entity-wide level in the Statement of Net Assets for Governmental Activities and in Proprietary funds as appropriate.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

J. Long-Term Debt

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Financial Statements – The governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

K. Net Assets

Government-Wide Financial Statements

In the government-wide financial statements, Net Assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which are determined only at the government-wide level, and are described on the next page.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Assets

Government-Wide Financial Statements, Continued

Invested in Capital Assets, Net of Related Debt – Describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Assets – Describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees and grant funds received for use on capital projects, debt service requirements, redevelopment funds restricted to low and moderate income purposes, funds received for recycling programs and future waste disposal costs; and fees for use on emergency medical services.

Unrestricted Net Assets – Describes the portion of Net Assets which is not restricted to use.

L. Fund Balances

Fund Financial Statements

The City has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the u se of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification. The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by City Council or an official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The City established the following policies relating to its fund balance classifications.

1. Committed Fund Balances
   - *Highest Level of Decision-Making Authority* – the City Council is the highest level of decision-making authority in terms of established fund balance classifications and creating Committed Fund Balances.
   - *Formal Action Required* – the City shall have the authority to establish, modify or rescind Committed Fund Balances.
   - *Timing* – the City will take formal action to commit any resources as soon as possible upon determining its desire to take such action, but no later than June 30 of the fiscal year in which it applies in order for the action to be valid for the presentation of the annual report.

2. Assigned Fund Balances
   - *Approved Authority* – the City Council may delegate the authority to the City Manager to assign fund balance amounts to specific purposes when such policies are enacted by the government body.
   - *Specific Policies* – the City Council may establish policies as needed to delegate authority to an appropriate official to assign resources to specific purposes in terms of creating, modifying or rescinding Assigned Fund Balances. Such policies will be approved by the government body by Resolution or Minute Order passed by a majority vote.

3. Expenditure of Funds – Order of Expenditure
   - *Restricted and Unrestricted Funds* – when an expenditure is incurred for purposes for which both Restricted and Unrestricted Fund Balances are available, the City shall consider that Restricted Funds shall be spent first until such funds are exhausted, at which time Committed, Assigned or Unassigned Funds will be used.
   - *Committed, Assigned or Unassigned Funds* – when an expenditure is incurred where there are no Restricted Funds available, and for which Committed and/or Assigned Fund Balances are available, the City shall exhaust Committed Funds first until such funds are exhausted, then shall exhaust Assigned Funds until such funds are exhausted.

4. Classification of Fund Balances
   - The City shall at least on an annual basis, and by virtue of the adoption of its annual budget, establish a listing of all Fund Balances and their classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. New Pronouncements

In 2011, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. There was no effect on net assets, however the City reclassified fund balances in governmental funds.

- GASB Statement No. 59, *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. There was no effect on net assets by the City implementing the new accounting standard.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pools for all funds. Certain cash and investment are restricted under the provisions of the City's debt agreements. These restricted funds are not pooled and are held by trustees.

The following is a summary of cash and investments at June 30, 2011:

	Government-Wide Statement of Net Assets	Discrete Component Unit	Fiduciary Funds	
	Governmental Activities	Newark Betterment Corporation	Statement of Net Assets	Total
Cash and investments	$ 28,858,838	$ 285,374	$ 4,290,756	$ 33,434,968
Restricted cash and investments	967,122	-	-	967,122
Total	$ 29,825,960	$ 285,374	$ 4,290,756	$ 34,402,090

2. CASH AND INVESTMENTS, Continued

At June 30, 2011, the City's pooled cash and investments, including restricted funds consisted of the following:

Deposits:		
Cash on hand	$	6,600
Deposits with banks		2,565,062
Total deposits		2,571,662
Investments:		
California Local Agency Investment Fund		30,577,932
Total City Treasury		33,149,594
Cash and Investment with Fiscal Agents:		
Money market funds		967,122
Total Restricted Cash and Investments		967,122
Newark Betterment Corporation		
Deposits:		
Deposits with banks	$	275,374
Total deposits		275,374
Investments:		
Certificates of Deposit		10,000
Total Newark Betterment Corporation		285,374
Total Cash and Investments	$	34,402,090

A. Deposits

The carrying amount of the City's cash deposit was $2,565,062 at June 30, 2011. Bank balances totaled $2,830,464, all of which was insured and/or collateralized with securities held by pledging financial institutions in the City's name discussed below.

The California Government Code requires banks and savings and loan institutions to secure City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of the creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may and has waived collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

2. CASH AND INVESTMENTS, Continued

A. Deposits, Continued

The City pools cash and investment of all funds, excluding restricted funds required to be held by fiscal agents under the terms of the City's debt agreements. Investment income earned on pooled cash investment is allocated on a quarterly basis to the various funds based on the quarter-end cash and investment balances. Interest earnings on restricted cash and investments are credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Credit Quality Requirements
California Local Agency Investment Fund	None	None	None
Securities of the U.S. Government	5 years	None	None
Banker Acceptances	180 days	40%	None
Collateralized Certificates of Deposit	5 years	50%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	A-1
Repurchase Agreements	1 year	50%	None
Reverse Repurchase Agreements	92 days	50%	None

Under the provisions of bond indentures, the following are authorized investment types for investments held by fiscal agents:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Requirements
U.S. Treasury Obligations	None	None
Federal Housing Administration Bonds	None	None
U.S. Agency Securities	None	None
Senior Debt Obligations	None	Aaa, AAA
FDIC Insured Deposits	None	None
Unsecured Certificates of Deposits, Time Deposits, and Banker's Acceptances	360 days	A-1 , P-1
Commercial Paper	270 days	A-1 , P-1
Money Market Funds	None	AAAm , AAAm-G
State Obligations	None	A, A3
Pre-funded Municipal Obligations	None	Aaa, AAA
Investment Agreements	None	AA , Aa
Repurchase Agreements	None	A
California Arbitrage Management Program	None	None
California Local Agency Investment Fund	None	None
Investment approved by Municipal Bond Insurer	None	None

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, require that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of the fair value gain was $45,963. The change in value between the two periods amounted to an unrealized gain of $2,242 for fiscal year 2010/11.

C. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investment due to changes in interest rates The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years. The City had the following investment maturities at June 30, 2011:

Investment Type	Fair Value	Investment Maturity 1 Year or Less	Investment Maturity 2 Years	Investment Maturity 3 Years	Investment Maturity 4 Years	Investment Maturity 5 Years
Local Agency Investment Funds	$ 30,577,932	$ 30,577,932	$ -	$ -	$ -	$ -
Money Market Funds	967,122	967,122	-	-	-	-
Certificates of Deposit	10,000	-	-	-	-	10,000
Cash with banks and on hand	2,847,036	2,847,036	-	-	-	-
Total	$ 34,402,090	$ 34,392,090	$ -	$ -	$ -	$ 10,000

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City's exposure to credit risks.

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

2. CASH AND INVESTMENTS, Continued

D. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2011, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

E. Local Agency Investment Fund

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30 2011, the City had $30,577,932 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at amortized cost, which approximates the fair value. (The fair value factor of LAIF is 1.00157647.)

3. INTERFUND TRANSACTIONS

A. Interfund Receivables / Payables

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from Other Funds

The following due to and from amounts represent cash flow needs by the receiving funds that are repaid shortly after the end of the year.

	Due to other funds
	Major Governmental Fund:
Due from other funds	Community Development Act
General Fund	$ 439,647
Total	$ 439,647

3. INTERFUND TRANSACTIONS, Continued

A. Interfund Receivables / Payables, Continued

Transfers In/Out

Transfers in/out for the year ended June 30, 2011, were as follows:

	Transfers In			
	Governmental Funds:	*Non-Major Governmental Funds:*		
Transfers Out	General	Alameda County Fire Fees	COPS Interest and Redemption	Total
Governmental Funds:				
General	$ -	$ -	$ 958,904	$ 958,904
Major Governmental Funds:				
State Construction Maint. Funds	500,000	-	-	500,000
Redevelopment Agency	960,000	-	-	960,000
Non-Major Governmental Funds:				
Paramedic Tax	-	425,000	-	425,000
Alameda County Fire Fees	400,000	-	-	400,000
Total Governmental Funds	$ 1,860,000	$ 425,000	$ 958,904	$ 3,243,904

Transfers to the General Fund from the State Construction Maintenance Special Revenue Fund, Redevelopment Agency Capital Projects Fund, Capital Projects Fund were to fund general operations.

Transfers to the General Fund from Alameda County Fire Special Revenue Fund were to fund public safety programs.

Transfers from the General Fund to the COPS Interest and Redemption Fund were to fund debt service.

Transfers from the Paramedic Tax Fund to the Alameda County Fire Fees Fund were to fund public safety programs.

B. Long-Term Advance

In fiscal year 2011, the City's General Fund advances to the Redevelopment Agency Capital Projects Fund totaled $451,595. The advance is to be repaid in future years from the proceeds of property tax increment revenue as funds become available. The General Fund advance bears interest equal to the LAIF average monthly effective yield. At fiscal year-end 2011, the LAIF effective yield was 0.480%.

The Newark Redevelopment Agency is an integral part of the City of Newark and its financial statements are included as a component of the basic financial statements of the City. Because tax increment revenues generated by the redevelopment project area have been substantially lower, the specific programs and projects that the Agency hopes to undertake have been delayed. The low tax increment funds have also limited the Agency's ability to issue tax allocation bonds. The primary source of funding available to the Agency to implement the redevelopment program has been Advances from the City's General Fund.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Tranfers	Balance June 30, 2011
Governmental activities:				
Nondepreciable assets:				
Land	$ 4,384,073	$ -	$ -	$ 4,384,073
Park land	30,107,748	-	-	30,107,748
Landscaping	8,684,784	-	-	8,684,784
Street trees	739,733	-	-	739,733
Construction in progress	18,273	181,205	(199,478)	-
Total nondepreciable assets	43,934,611	181,205	(199,478)	43,916,338
Depreciable assets:				
Buildings and improvements	43,275,314	-	199,478	43,474,792
Improvements other than Buildings	-	209,475	-	209,475
Infrastructure				
Streets	66,878,726	834,980	-	67,713,706
Sidewalks, curbs, gutters and walls	13,552,983	154,970	-	13,707,953
Street lights	3,219,325	-	-	3,219,325
Traffic signals	3,936,784	-	-	3,936,784
Machinery and equipment	7,427,833	474,217	-	7,902,050
Total depreciable assets	138,290,965	1,673,642	199,478	140,164,085
Less accumulated depreciation:				
Buildings and improvements	(8,871,309)	(714,037)	-	(9,585,346)
Infrastructure				
Streets	(5,000,799)	(1,713,657)	-	(6,714,456)
Sidewalks, curbs, gutters and walls	(1,142,343)	(394,556)	-	(1,536,899)
Street lights	(386,320)	(128,773)	-	(515,093)
Traffic signals	(3,137,848)	(196,839)	-	(3,334,687)
Machinery and equipment	(4,890,818)	(395,402)	-	(5,286,220)
Total accumulated depreciation	(23,429,437)	(3,543,264)	-	(26,972,701)
Net depreciable assets	114,861,528	(1,869,622)	199,478	113,191,384
Governmental activities capital assets, net	$ 158,796,139	$ (1,688,417)	$ -	$ 157,107,722

4. CAPITAL ASSETS, Continued

Depreciation expense was charged to various governmental functions as follows:

General government	$ 81,413
Public safety:	
Fire	271,899
Police	187,914
Street and parks	2,517,087
Community development	36,478
Recreation	448,473
Total depreciation expense - governmental functions	$ 3,543,264

5. LONG-TERM DEBT

The City's long-term debt comprised the following at June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
2002 Certificates of Participation $9,925,000; 2-5% due 2032	$ 8,450,000	$ -	$ (235,000)	$ 8,215,000	$ 245,000	$ 7,970,000
1998 Certificates of Participation $5,000,000; 5% due 2027	3,860,000	-	(135,000)	3,725,000	145,000	3,580,000
Capital Lease Obligation Equipment lease, due 2015	221,627	-	(40,358)	181,269	42,251	139,018
Capital Lease Obligation Equipment lease, due 2017	351,603	-	(43,368)	308,235	45,476	262,759
Total	$ 12,883,230	$ -	$ (453,726)	$ 12,429,504	$ 477,727	$ 11,951,777

2002 Certificates of Participation

On August 1, 2002, $9,925,000 principal amount of Certificates of Participation (COPs), 2002 Silliman Community Activity Center/Old Town Fire Station Project, were issued to fund construction of the swim facility at the Activity Center and a fire station in the Old Town area. Lease payments are due annually on June 1 until June 1, 2032. Interest at rates of 2.0-5.0% are payable semi-annually on June 1 and December 1.

1998 Certificates of Participation

On June 1, 1998, $5,000,000 principal amount of Certificates of Participation (COPs), George M. Silliman Community Activity Center Project, were issued to finance the acquisition of land and construction of the Activity Center. Lease payments are due annually on June 1 through June 1, 2027. Interest at rates of 5.0% are payable semi-annually on June 1 and December 1.

5. LONG-TERM DEBT, Continued

Capital Lease Obligations

On November 10, 2004, the City entered into a non-cancelable lease agreement in the amount of $397,864 with Oshkosh Capital to acquire a fire pumper truck. Annual lease payments of $50,752 are due on November 19 until 2014. Ownership of the fire pumper truck reverts to the City at the end of the lease.

On December 13, 2006, the City entered into a non-cancelable lease agreement in the amount of $470,015 with Oshkosh Capital to acquire a fire pumper truck. Annual lease payments of $60,456 are due on December 20 until 2016. Ownership of the fire pumper truck reverts to the City at the end of the lease.

Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

Year Ending June 30, 2011	Governmental Activities	
	Principal	Interest
2012	$ 477,727	$ 597,175
2013	496,918	576,546
2014	521,310	554,709
2015	540,912	531,507
2016	514,983	507,092
2017-2021	2,707,654	2,261,995
2022-2026	3,350,000	1,464,853
2027-2031	3,220,000	600,256
2032-2033	600,000	30,000
Total	$ 12,429,504	$ 7,124,133

Area Improvement District Bonds with No City Commitment

Area Improvement Districts (AID) Bonds were issued to finance public improvements within the Districts. Neither the City's General Fund nor the full faith and credit of the City is pledged for the repayment of these bonds. The AID bonds will be repaid solely by special assessments levied on the properties within that District. The bonds are secured by the special taxes on those properties.

These transactions are accounted for in a separate Agency fund established by the City for that purpose. As of June 30, 2011, the remaining balance outstanding on these bonds was $9,943,000.

6. COMPENSATED ABSENCES

The City's compensated absences include accrued vacation, general leave and compensatory time. The value of these unpaid leave is recorded as a liability of the City.

Changes in compensated absences for the fiscal year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental Activities	$ 1,841,003	$ 1,229,700	$ (1,257,949)	$ 1,812,754	$ 1,786,515

7. DEFINED BENEFIT PENSION PLAN

A. California Public Employees' Retirement Plan (PERS)

Plan Description – The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of the PERS annual financial report may be obtained from their Executive Office located at 400 Q Street, Sacramento, California 95814.

Funding Policy – Without cost sharing, active members are required by State statute to contribute 8% of their annual covered salary for a miscellaneous member and 9% for a safety member. The City's employer required contribution rates, without cost sharing, were 15.864% for miscellaneous employees and 25.208% for safety employees in 2010-2011. The City is currently paying benefits from the City's General Fund.

The City and its employee groups entered into a variable cost sharing agreement allowing the employer contribution rate to float below and the employee rate to float above the non-cost sharing rates by the cost sharing percentage. For the Miscellaneous Rate Plan, sharing half the cost over 10% produces a 2.932% cost sharing between the City and miscellaneous members. This resulted to a 12.932% employer contribution rate and a 10.932% employee contribution rate. For the Safety Rate Plan, sharing half the cost over 17.208% produces a 4.0% cost sharing between the City and safety employees. This resulted to a 21.208% employer contribution rate and a 13.0% employee contribution rate.

7. DEFINED BENEFIT PENSION PLAN, Continued

A. *California Public Employees' Retirement Plan (PERS), Continued*

Annual Pension Cost – For 2010-2011, the City's annual pension cost of $2,351,582 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for both miscellaneous employees and safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period as of June 30, 2008 was 16 years for safety employees and 29 years for miscellaneous employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

	Annual Pension Cost (APC)			
Fiscal Year	Miscellaneous Rate Plan	Safety Rate Plan	Total APC	Percentage of APC Funded
6/30/2009	$ 1,261,558	$ 2,404,350	$ 3,665,908	100%
6/30/2010	1,154,311	2,274,556	3,428,867	100%
6/30/2011	1,002,768	1,348,814	2,351,582	100%

B. *Funding Status as of the Most Recent Actuarial Date*

A schedule of funding progress as of the most recent actuarial date is presented below.

Safety Rate Plan

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2010	$ 8,470,235,152	$ 10,165,475,166	$ 1,695,240,014	83.3%	$ 955,980,815	177.3%

7. DEFINED BENEFIT PENSION PLAN, Continued

B. Funding Status as of the Most Recent Actuarial Date, Continued

Miscellaneous Rate Plan

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2010	$ 62,484,629	$ 78,859,645	$ 16,375,016	79.2%	$ 8,785,314	186.4%

8. OTHER POST EMPLOYMENT BENEFITS

The City participates in the CalPERS healthcare programs Public Employees Medical and Hospital Care Act (PEHMCA) providing retirees the statutory minimum contribution using the 5% "unequal method." The City currently pays for the cost of the retiree healthcare on a pay-as-you-go basis. For fiscal year ended June 30, 2011, there were 76 retirees receiving this benefit and total City costs amounted to $97,143.

The City is not required by law or contractual agreement to provide funding for retiree health costs other than the pay-as-you-go amount necessary to provide current benefits to retirees. The City has not set up a trust fund and is currently paying benefits from the City's General Fund.

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table illustrates the City's June 30, 2011 Net OPEB Obligation:

Annual required contribution	$ 475,000
Interest on net OPEB obligation	41,000
Amortization of net OPEB obligation	(72,000)
Annual OPEB cost	444,000
Payments made	(97,143)
Increase in net OPEB obligation	346,857
Net OPEB obligation - beginning of the year	971,681
Estimated NET OPEB Obligation June 30, 2011	$ 1,318,538

8. OTHER POST EMPLOYMENT BENEFITS, Continued

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 553,000	$ 84,502	15.3%	$ 468,498
6/30/2010	591,000	87,817	14.9%	971,681
6/30/2011	444,000	97,143	21.9%	1,318,538

Funded Status and Funding Progress – As of January 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was $4,341,000, and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $4,341,000. The covered payroll (annual payroll of active employees covered by the plan) was $21,469,000 and the ratio of UAAL to the covered payroll was 20%.

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. Since this is the first year of including this information in the financial report, the data presented is limited.

Actuarial Methods and Assumptions – 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.

The City's January 1, 2009 retiree healthcare valuation was prepared using the Entry Age Normal (EAN) actuarial cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at January 1, 2009 of 28 years.

8. OTHER POST EMPLOYMENT BENEFITS, Continued

GASB 45 requires the interest rate to represent the underlying expected long-term rate of return for the source of funds used to pay benefits. Since the source of funds for an unfunded plan is usually the General Fund and California law restricts the City's investment vehicles, this valuation included a 4.25% interest rate. Another key assumption is that future healthcare inflation rate used to increase the PEMHCA minimum contribution and benefits are expected to increase 4.0% in 2010 and 4.5% for the following years. Annual general inflation is assumed to increase at 3% and aggregate payroll to increase at 3.25 % per annum. The study also used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality, withdrawal, and disability based on CalPERS 1997-2002 Experience Study. Retirement assumption was also based on CalPERS 1997-2002 Experience Study of the Miscellaneous Rate Plan 2.5% at 55 years, with expected retirement age of approximate 60 for females and 61 for males and Public Safety 3% at 50 years, with expected retirement age of approximately 54 for Police and Fire.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City has established various self-insurance programs and participated in pooled approach to manage excessive risks and provide liability coverage.

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation which is a nonprofit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides $25,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's $100,000 deductible. For the year ended June 30, 2011, the City paid ABAG Plan $197,843 in premiums. ABAG Plan has not determined the value of the City's interest in its net assets. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94604-2050.

The City participates in the Local Agency Workers Compensation Excess Joint Powers Authority (LAWCX), which covers workers compensation claims in excess of $350,000 per claim, up to statutory limits. LAWCX is governed by a board of directors comprised of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

The City's contributions to each risk pool equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. In each of the past three years, the amount of settlements did not exceed insurance coverage.

During the fiscal year ended June 30, 2011, the City contribution was $120,073. Audited financial statements may be obtained from Bickmore Risk Services, 1831 K Street, Sacramento, CA 95814.

9. RISK MANAGEMENT, Continued

Self-Insurance Internal Service Funds

The City's risk management activities are recorded in the Public Liability Self-Insurance and Workers' Compensation Self-Insurance Internal Service Funds. Estimated liabilities are recorded when a loss is deemed probable and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The following is a summary of the changes in general land workers' compensation liabilities for the past three fiscal years:

	2011				
	General Liability Claims	Workers' Compensation Claims	Total	2010	2009
Liability at beginning of fiscal year	$ 128,141	$ 1,837,918	$ 1,966,059	$ 1,253,940	$ 1,574,807
Claims and changes in estimates	157,055	495,293	652,348	1,152,985	267,423
Claims payments	(148,331)	(295,298)	(443,629)	(440,866)	(588,290)
Liability at end of fiscal year	$ 136,865	$ 2,037,913	$ 2,174,778	$ 1,966,059	$ 1,253,940
Current Portion	$ 104,071	$ 380,301	$ 484,372	$ 476,815	$ 490,758

10. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolutions of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

10. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

On September 22, 2011, the Newark Redevelopment Agency adopted the Enforceable Obligation Payment Schedule (EOPS). The EOPS included the $400,000 loan (plus interest) that the City made to the Agency and the annual obligation to transfer any unused sales tax back to the City (established by Agreement No. C93031in 1993).

The full impacts of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2012, the date the financial statements were available to be issued. Except as described in Note 10, no other events requiring recognition or disclosure in the financial statements were identified.

12. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2011 is as follows:

	General Fund	State Construction Maintenance Special Revenue Fund	Capital Projects Fund	Redevelopment Agency Capital Project Fund	Community Development Act Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Supplies and other assets	$ 181,583	$ -	$ -	$ -	$ -	$ -	$ 181,583
Advances to other funds	451,595	-	-	-	-	-	451,595
Total nonspendable fund balance	633,178	-	-	-	-	-	633,178
Restricted for:							
Purpose of fund	-	3,602,677	280,649	35,658	-	2,116,944	6,035,928
Debt service	-	-	-	-	-	1,013,849	1,013,849
Total restricted fund balance	-	3,602,677	280,649	35,658	-	3,130,793	7,049,777
Assigned to:							
Operations reserves	7,000,000	-	-	-	-	-	7,000,000
Fiscal uncertainty	1,566,306	-	-	-	-	-	1,566,306
Capital asset acquisition	-	-	10,218,680	-	-	-	10,218,680
Purpose of fund	-	-	-	-	-	1,737,701	1,737,701
Total assigned fund balance	8,566,306	-	10,218,680	-	-	1,737,701	20,522,687
Unassigned							
Fund Balance	-	-	-	(8,571)	(463,965)	-	(472,536)
Total fund balances	$ 9,199,484	$ 3,602,677	$ 10,499,329	$ 27,087	$ (463,965)	$ 4,868,494	$ 27,733,106

13. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustment to correct prior year recognition of grant revenues related to a reimbursement grant with the Metropolitan Transportation Commission (MTC). The City incurred expenditures for the reimbursement grant during the fiscal year ended June 30th, 2010 and claimed reimbursement for expended amounts; however the claimed amounts have yet to be reimbursed by MTC due to contract renegotiations.

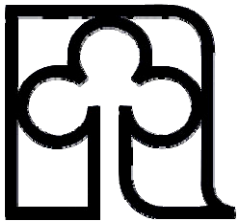
	Fund Balance as Previously Reported	Prior Period Adjustment Deferred Revenue	Fund Balance as Restated
Community Development Act	$ 14,111	$ (269,299)	$ (255,188)

14. CAPITAL PROJECTS

A summary of the uncompleted capital projects of the City at June 30, 2011 follows:

	Project Authorizations	Expenditures Fiscal 2011	Expenditures Cumulative	Unexpended Authorization Balances
Park Construction	479,600	12,875	358,053	121,547
Street Construction	4,020,500	1,083,571	2,966,063	1,054,437
Capital Improvements	2,818,000	229,203	2,418,593	399,407
Public Safety	15,000	15,000	15,000	-
Housing and Community	45,700	16,594	16,594	29,106
City Government Operations	795,000	41,523	58,479	736,521
	8,173,800	1,398,766	5,832,782	2,341,018

REQUIRED SUPPLEMENARY INFORMATION



1. BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Control and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Every other year, the City Manager submits to the City Council a proposed biennial operating budget and capital improvement plan for the two fiscal years commencing the following July 1, which include proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by City Council resolution prior to July 1 of even-numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the City Council by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a department within the same funds.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
7. Budgets are adopted for all funds except for Debt Service Fund. Budgets are on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were amended.

B. Excess of Expenditures over Appropriations

The funds below incurred expenditures in excess of their budgets in the amounts below as the result of unanticipated expenses. Sufficient resources were available within the following funds to finance these excesses:

General Fund	
General government	$ 435,214
Public safety: Fire	167,296
Public safety: Police	171,672
Streets and Parks	39,934
Community development	44,051
Recreation	258,899
Debt Service: Principal repayment	83,726
Debt Service: Interest and fiscal charges	27,482
Community Development Act	
Community development	$ 211,463
Capital outlay	94,000
Capital Projects Fund	
Recreation	$ 377,256
RDA Capital Projects Fund	
Community development	$ 80,653
Paramedic Tax	
Public safety: Fire	$ 1,869
Alameda County Fire Fees	
Public safety: Fire	$ 4,814
Police Grants	
Public safety: Police	$ 59,880
Capital outlay	33,488
Waste Disposal	
Community development	$ 315,502
Measure B - ACTIA	
Recreation	$ 7,771
Hazardous Materials Program	
Public safety: Fire	$ 4,429

1. BUDGETARY BASIS OF ACCOUNTING, Continued

The following are the budget comparison schedules for General Fund, Special Revenue major Governmental Funds.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
General property taxes	$ 12,434,000	$ 12,434,000	$ 11,765,905	$ (668,095)
Other local taxes	13,145,000	13,145,000	15,129,091	1,984,091
Licenses, permits and fees	1,032,000	1,032,000	820,049	(211,951)
Fines and forfeitures	525,000	525,000	472,933	(52,067)
Use of money and property	159,000	159,000	59,074	(99,926)
Other governmental agencies	1,416,000	1,416,000	1,870,937	454,937
Current services charges	3,410,800	3,410,800	3,283,047	(127,753)
Other revenue	-	-	788,346	788,346
Total revenues	32,121,800	32,121,800	34,189,382	2,067,582
EXPENDITURES:				
Current:				
General government	3,408,800	3,303,800	3,739,014	(435,214)
Public safety:				
Fire	8,003,200	7,903,200	8,070,496	(167,296)
Police	12,243,600	12,388,600	12,560,272	(171,672)
Streets and parks	2,448,600	2,403,600	2,443,534	(39,934)
Community development	2,004,200	1,989,200	2,033,251	(44,051)
Recreation	3,508,600	3,389,600	3,648,499	(258,899)
Debt Service:				
Principal repayment	-	-	83,726	(83,726)
Interest and fiscal charges	-	-	27,482	(27,482)
Total expenditures	31,617,000	31,378,000	32,606,274	(1,228,274)
REVENUE OVER (UNDER) EXPENDITURES	504,800	743,800	1,583,108	839,308
OTHER FINANCING SOURCES (USES):				
Transfers in	765,000	765,000	1,860,000	1,095,000
Transfers out	(958,904)	(958,904)	(958,904)	-
Total other financing sources (uses)	(193,904)	(193,904)	901,096	1,095,000
Net change in fund balance	$ 310,896	$ 549,896	2,484,204	$ 1,934,308
FUND BALANCES:				
Beginning of year			6,715,280	
End of year			$ 9,199,484	

1. BUDGETARY BASIS OF ACCOUNTING, Continued

Budgetary Comparison Schedule, State Construction Maintenance Special Revenue Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 10,000	$ 10,000	$ 10,637	$ 637
Other governmental agencies	1,205,000	1,186,000	1,293,526	107,526
Current service charges	-	-	560	560
Total revenues	1,215,000	1,196,000	1,304,723	108,723
EXPENDITURES:				
Current:				
Streets and parks	3,405,500	3,405,500	1,092,021	2,313,479
Total expenditures	3,405,500	3,405,500	1,092,021	2,313,479
REVENUE OVER (UNDER) EXPENDITURES	(2,190,500)	(2,209,500)	212,702	2,422,202
OTHER FINANCING SOURCES (USES):				
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	(500,000)	(500,000)	(500,000)	-
Net change in fund balance	$ (2,690,500)	$ (2,709,500)	(287,298)	$ 2,422,202
FUND BALANCES:				
Beginning of year			3,889,975	
End of year			$ 3,602,677	

2. BUDGETARY BASIS OF ACCOUNTING, Continued

Budgetary Comparison Schedule, Community Development Act Special Revenue Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other governmental agencies	$ -	$ 7,800	$ 118,004	$ 110,204
Other revenue	-	-	32,182	32,182
Total revenues	-	7,800	150,186	142,386
EXPENDITURES:				
Current:				
Community development	-	53,500	264,963	(211,463)
Capital outlay	-	-	94,000	(94,000)
Total expenditures	-	53,500	358,963	(305,463)
REVENUE OVER (UNDER) EXPENDITURES	-	(45,700)	(208,777)	(163,077)
Net change in fund balance	$ -	$ (45,700)	(208,777)	$ (163,077)
FUND BALANCES:				
Beginning of year			(255,188)	
End of year			$ (463,965)	

2. DEFINED PENSION PLAN

A schedule of funding progress for the past three actuarial valuations is presented below.

Safety Rate Plan

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2008	7,464,927,716	8,700,467,733	1,235,540,017	85.8%	914,840,596	135.1%
6/30/2009	8,027,158,724	9,721,675,347	1,694,516,623	82.6%	973,814,168	174.0%
6/30/2010	8,470,235,152	10,165,475,166	1,695,240,014	83.3%	955,980,915	177.3%

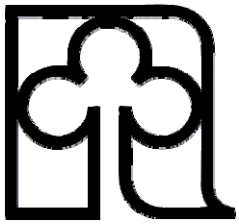
Miscellaneous Rate Plan

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
6/30/2008	59,449,113	70,952,348	11,503,235	83.8%	10,885,673	105.7%
6/30/2009	60,357,980	76,644,426	16,286,446	78.8%	10,368,239	157.1%
6/30/2010	62,484,629	78,859,645	16,375,016	79.2%	8,785,314	186.4%

3. OTHER POST EMPLOYMENT PENSION PLAN

Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
1/1/2007	$ -	$ 5,528,000	$ 5,528,000	0.0%	$ 23,674,000	23.4%
1/1/2009	-	4,341,000	4,341,000	0.0%	21,469,000	20.2%

* Latest information available.



SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

Capital Projects Fund

The Capital Projects Funds accounts for financial resources to be used for capital acquisition, construction and rehabilitation projects.

Redevelopment Agency Capital Projects Fund

The Redevelopment Agency Capital Projects Funds accounts for funds received by the Agency to be used for redevelopment activities and capital projects for designated areas in the City. It also accounts for funds set aside to improve and increase supply of low and moderate income housing.

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Capital Projects Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ 15,000	$ 15,000	$ 5,972	$ (9,028)
Other governmental agencies	1,500,000	1,500,000	163,832	(1,336,168)
Current service charges	-	-	150,907	150,907
Other revenue	-	-	3,205,978	3,205,978
Total revenues	1,515,000	1,515,000	3,526,689	2,011,689
EXPENDITURES:				
Current:				
Recreation	259,400	259,400	636,656	(377,256)
Capital outlay	3,388,600	3,388,600	246,992	3,141,608
Total expenditures	3,648,000	3,648,000	883,648	2,764,352
REVENUE OVER (UNDER) EXPENDITURES	(2,133,000)	(2,133,000)	2,643,041	4,776,041
Net change in fund balance	$ (2,133,000)	$ (2,133,000)	2,643,041	$ 4,776,041
FUND BALANCES:				
Beginning of year			7,856,288	
End of year			$ 10,499,329	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

RDA Capital Projects Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Property tax	$ 30,000	$ 30,000	$ 35,658	$ 5,658
Other local taxes	575,000	575,000	796,703	221,703
Use of money and property	1,500	1,500	294	(1,206)
Total revenues	606,500	606,500	832,655	226,155
EXPENDITURES:				
Current:				
Community development	50,000	50,000	130,653	(80,653)
Total expenditures	50,000	50,000	130,653	(80,653)
REVENUE OVER (UNDER) EXPENDITURES	556,500	556,500	702,002	145,502
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(645,000)	(960,000)	(315,000)
Total other financing sources (uses)	-	(645,000)	(960,000)	(315,000)
Net change in fund balance	$ 556,500	$ (88,500)	(257,998)	$ (169,498)
FUND BALANCES:				
Beginning of year			285,085	
End of year			$ 27,087	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Paramedic Tax

Accounts for funds used to support the Fire Department Paramedic Program. This voter-approved property tax is used to pay for training, supplies and certain personnel costs associated with the program.

Alameda County Fire Fees

Accounts for funds received from the County for emergency medical services.

Police Grants

Accounts for grant funds received for specific law enforcement purposes and to support drug resistance and education programs for community youth.

Art in Public Places

Accounts for funds collected from developers to be used for the procurement and enhancement of public art.

Recycle AB 939

Accounts for funds received from Waste Management franchise fees. These funds are used to fund and promote City recycling efforts as required by Assembly Bill 939.

Waste Disposal

Accounts for funds received from Waste Management to assist with future waste disposal costs.

Measure D - Recyling

Accounts for Measure D funds from the Alameda County Waste Reduction Initiative to be used for the continuation and expansion of municipal recycling programs.

Measure B - ACTIA

Accounts for Measure B funds from the Alameda County Transportation Improvement Authority (ACTIA) to be used for the maintaining of local streets and roadways, funding bikes and pedestrian projects, and providing paratransit services to the senior community.

Hazardous Materials Program

Accounts for grant proceeds for specific hazardous materials education and mitigation programs.

DEBT SERVICE FUND:

COPS Interest and Redemption

Accounts for funds reserved for the debt financing of the George M. Silliman Community Activity Center. This fund will accumulate monies earmarked for principal and interest payments for the Activity Center.

CAPITAL PROJECTS FUNDS:

Park Improvement

Accounts for funds received from developmers and grants to maintain City-owned parks.

Landscape and Lighting District

Accounts for funds collected through special assessments for the maintenance of landscaping and street lighting in the Landscape and Lighting Districts.

City of Newark
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds				
	Paramedic Tax	Alameda County Fire Fees	Police Grants	Art in Public Places	Recycle AB 939
ASSETS					
Cash and investments					
Available for operations	$ 40,487	$ 950	$ 74,809	$ 632,246	$ 27,400
Restricted cash and investments	-	-	-	-	-
Receivables:					
Special assessments	-	-	-	-	-
Intergovernmental	910	-	32,999	-	49,803
Interest	-	-	31	-	-
Other, net	-	32,170	-	-	-
Total assets	$ 41,397	$ 33,120	$ 107,839	$ 632,246	$ 77,203
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ -	$ -	$ 140	$ -	$ 3,288
Total liabilities	-	-	140	-	3,288
Fund Balances:					
Restricted	41,397	33,120	107,699	-	73,915
Assigned	-	-	-	632,246	-
Total fund balances	41,397	33,120	107,699	632,246	73,915
Total liabilities and fund balances	$ 41,397	$ 33,120	$ 107,839	$ 632,246	$ 77,203

Special Revenue Funds				Debt Service Fund	Capital Project Funds		
Waste Disposal	Measure D - Recycling	Measure B - ACTIA	Hazardous Materials Program	COPS Interest and Redemption	Park Improvement	Landscape and Lighting District	Total Non-Major Governmental Funds
$ 1,395,947	$ 67,860	$ 979,878	$ 30,729	$ 46,727	$ 181,328	$ 454,502	$ 3,932,863
-	-	-	-	967,122	-	-	967,122
-	-	-	-	-	-	40,493	40,493
-	22,547	162,485	-	-	-	-	268,744
-	-	871	20	-	-	-	922
10,416	-	-	-	-	-	-	42,586
$ 1,406,363	$ 90,407	$ 1,143,234	$ 30,749	$ 1,013,849	$ 181,328	$ 494,995	$ 5,252,730
$ 300,908	$ -	$ 67,452	$ 2,460	$ -	$ -	$ 9,988	$ 384,236
300,908	-	67,452	2,460	-	-	9,988	384,236
-	90,407	1,075,782	28,289	1,013,849	181,328	485,007	3,130,793
1,105,455	-	-	-	-	-	-	1,737,701
1,105,455	90,407	1,075,782	28,289	1,013,849	181,328	485,007	4,868,494
$ 1,406,363	$ 90,407	$ 1,143,234	$ 30,749	$ 1,013,849	$ 181,328	$ 494,995	$ 5,252,730

City of Newark
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds				
	Paramedic Tax	Alameda County Fire Fees	Police Grants	Art in Public Places	Recycle AB 939
REVENUES:					
Special assessments	$ 228,037	$ -	$ -	$ -	$ -
Use of money and property	64	-	90	-	-
Other governmental agencies	-	-	175,522	-	49,803
Current service charges	-	96,510	61,800	703	-
Other revenues	-	-	-	-	-
Total revenues	228,101	96,510	237,412	703	49,803
EXPENDITURES:					
Current:					
Public safety:					
Fire	1,869	4,814	-	-	-
Police	-	-	164,380	-	-
Streets and parks	-	-	-	-	-
Community development	-	-	-	-	22,207
Recreation	-	-	-	-	-
Capital outlay	-	-	33,488	-	-
Debt service:					
Principal repayment	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,869	4,814	197,868	-	22,207
REVENUE OVER (UNDER) EXPENDITURES	226,232	91,696	39,544	703	27,596
OTHER FINANCING SOURCES (USES):					
Transfers in	-	425,000	-	-	-
Transfers out	(425,000)	(400,000)	-	-	-
Total other financing sources (uses)	(425,000)	25,000	-	-	-
Net change in fund balances	(198,768)	116,696	39,544	703	27,596
FUND BALANCES:					
Beginning of year	240,165	(83,576)	68,155	631,543	46,319
End of year	$ 41,397	$ 33,120	$ 107,699	$ 632,246	$ 73,915

Special Revenue Funds				Debt Service Fund	Capital Project Funds		
Waste Disposal	Measure D - Recycling	Measure B - ACTIA	Hazardous Materials Program	COPS Interest and Redemption	Park Improvement	Landscape and Lighting District	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 214,640	$ 442,677
-	-	2,183	-	1,496	-	52	3,885
-	90,407	618,027	1,555	-	161,615	-	1,096,929
-	-	14,038	-	-	-	-	173,051
125,000	-	171	-	-	-	3,170	128,341
125,000	90,407	634,419	1,555	1,496	161,615	217,862	1,844,883
-	-	-	4,429	-	-	-	11,112
-	-	-	-	-	-	-	164,380
-	-	343,776	-	-	166,350	178,330	688,456
315,502		-	-	-	-	-	337,709
-	-	127,771	-	-	-	-	127,771
-	-	-	-	-	-	-	33,488
-	-	-	-	370,000	-	-	370,000
-	-	-	-	594,036	-	-	594,036
315,502	-	471,547	4,429	964,036	166,350	178,330	2,326,952
(190,502)	90,407	162,872	(2,874)	(962,540)	(4,735)	39,532	(482,069)
-	-	-	-	958,904	-	-	1,383,904
-	-	-	-	-	-	-	(825,000)
-	-	-	-	958,904	-	-	558,904
(190,502)	90,407	162,872	(2,874)	(3,636)	(4,735)	39,532	76,835
1,295,957	-	912,910	31,163	1,017,485	186,063	445,475	4,791,659
$ 1,105,455	$ 90,407	$ 1,075,782	$ 28,289	$ 1,013,849	$ 181,328	$ 485,007	$ 4,868,494

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Paramedic Tax

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes and special assessments	$ 220,000	$ 220,000	$ 228,037	$ 8,037
Use of money	-	-	64	64
Total revenues	220,000	220,000	228,101	8,101
EXPENDITURES:				
Current:				
Public Safety - Fire	-	-	1,869	(1,869)
Total expenditures	-	-	1,869	(1,869)
REVENUE OVER (UNDER) EXPENDITURES	220,000	220,000	226,232	6,232
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(200,000)	(425,000)	(225,000)
Total other financing sources (uses)	-	(200,000)	(425,000)	(225,000)
Net change in fund balance	$ 220,000	$ 20,000	(198,768)	$ (216,899)
FUND BALANCES:				
Beginning of year			240,165	
End of year			$ 41,397	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Alameda County Fire Fees

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Current service charges	$ -	$ -	$ 96,510	$ 96,510
Total revenues	-	-	96,510	96,510
EXPENDITURES:				
Current:				
Public safety:				
Fire	-	-	4,814	(4,814)
Total expenditures	-	-	4,814	(4,814)
REVENUE OVER (UNDER) EXPENDITURES	-	-	91,696	91,696
OTHER FINANCING SOURCES (USES):				
Transfers in	-	200,000	425,000	225,000
Transfers out	-	(120,000)	(400,000)	(280,000)
Total other financing sources (uses)	-	80,000	25,000	(55,000)
Net change in fund balances	$ -	$ 80,000	116,696	$ 36,696
FUND BALANCES:				
Beginning of year			(83,576)	
End of year			$ 33,120	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Police Grants

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 90	$ 90
Other governmental agencies	115,000	115,000	175,522	60,522
Current service charges	100,000	100,000	61,800	(38,200)
Total revenues	215,000	215,000	237,412	22,412
EXPENDITURES:				
Current:				
Public safety:				
Police	104,500	104,500	164,380	(59,880)
Capital outlay	-	-	33,488	(33,488)
Total expenditures	104,500	104,500	197,868	(93,368)
REVENUE OVER (UNDER) EXPENDITURES	110,500	110,500	39,544	(70,956)
Net change in fund balance	$ 110,500	$ 110,500	39,544	$ (70,956)
FUND BALANCES:				
Beginning of year			68,155	
End of year			$ 107,699	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Art in Public Places

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Current service charges	$ -	$ -	$ 703	$ 703
Total revenues	-	-	703	703
Net change in fund balance	$ -	$ -	703	$ 703
FUND BALANCES:				
Beginning of year			631,543	
End of year			$ 632,246	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Recycle AB 939

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other governmental agencies	$ 50,000	$ 50,000	$ 49,803	$ (197)
Total revenues	50,000	50,000	49,803	(197)
EXPENDITURES:				
Current:				
Community development	48,500	48,500	22,207	26,293
Total expenditures	48,500	48,500	22,207	26,293
REVENUE OVER (UNDER) EXPENDITURES	1,500	1,500	27,596	26,096
Net change in fund balance	$ 1,500	$ 1,500	27,596	$ 26,096
FUND BALANCES:				
Beginning of year			46,319	
End of year			$ 73,915	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Waste Disposal

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other revenues	$ 125,000	$ 125,000	$ 125,000	$ -
Total revenues	125,000	125,000	125,000	-
EXPENDITURES:				
Current:				
Community development	-	-	315,502	(315,502)
Total expenditures	-	-	315,502	(315,502)
REVENUE OVER (UNDER) EXPENDITURES	125,000	125,000	(190,502)	(315,502)
Net change in fund balance	$ 125,000	$ 125,000	(190,502)	$ (315,502)
FUND BALANCES:				
Beginning of year			1,295,957	
End of year			$ 1,105,455	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure D - Recycling

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other revenues	$ -	$ -	$ 90,407	$ 90,407
Total revenues	-	-	90,407	90,407
Net change in fund balance	$ -	$ -	90,407	$ 90,407
FUND BALANCES:				
Beginning of year			-	
End of year			$ 90,407	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure B - ACTIA

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	$ -	$ -	$ 2,183	$ 2,183
Other governmental agencies	526,600	526,600	618,027	91,427
Current service charges	11,000	11,000	14,038	3,038
Other revenues	-	-	171	171
Total revenues	537,600	537,600	634,419	96,819
EXPENDITURES:				
Current:				
Streets and parks	1,100,000	1,100,000	343,776	756,224
Recreation	120,000	120,000	127,771	(7,771)
Total expenditures	1,220,000	1,220,000	471,547	748,453
REVENUE OVER (UNDER) EXPENDITURES	(682,400)	(682,400)	162,872	845,272
Net change in fund balance	$ (682,400)	$ (682,400)	162,872	$ 845,272
FUND BALANCES:				
Beginning of year			912,910	
End of year			$ 1,075,782	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Hazardous Materials Program

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other governmental agencies	$ -	$ -	$ 1,555	$ 1,555
Total revenues	-	-	1,555	1,555
EXPENDITURES:				
Current:				
Public safety:				
Fire	-	-	4,429	(4,429)
Total expenditures	-	-	4,429	(4,429)
REVENUE OVER (UNDER) EXPENDITURES	-	-	(2,874)	(2,874)
Net change in fund balance	$ -	$ -	(2,874)	$ (2,874)
FUND BALANCES:				
Beginning of year			31,163	
End of year			$ 28,289	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Park Improvement

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Other governmental agencies	$ 220,000	$ 220,000	$ 161,615	$ (58,385)
Total revenues	220,000	220,000	161,615	(58,385)
EXPENDITURES:				
Current:				
Streets and parks	369,600	369,600	166,350	203,250
Total expenditures	369,600	369,600	166,350	203,250
REVENUE OVER (UNDER) EXPENDITURES	(149,600)	(149,600)	(4,735)	144,865
Net change in fund balance	$ (149,600)	$ (149,600)	(4,735)	$ 144,865
FUND BALANCES:				
Beginning of year			186,063	
End of year			$ 181,328	

City of Newark

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Landscape and Lighting District

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Taxes and special assessments	$ -	$ -	$ 214,640	$ 214,640
Use of money	-	-	52	52
Other revenues	-	-	3,170	3,170
Total revenues	-	-	217,862	217,862
EXPENDITURES:				
Current:				
Streets and parks	398,999	398,999	178,330	220,669
Total expenditures	398,999	398,999	178,330	220,669
REVENUE OVER (UNDER) EXPENDITURES	(398,999)	(398,999)	39,532	438,531
Net change in fund balance	$ (398,999)	$ (398,999)	39,532	$ 438,531
FUND BALANCES:				
Beginning of year			445,475	
End of year			$ 485,007	

INTERNAL SERVICE FUNDS

Equipment Replacement
Accounts for funds used to pay for the anticipated replacement of general equipment needs.

Equipment Operations
Accounts for funds used to support the maintenace and operation of general equipment.

Office Support
Accounts for funds used to support general office support needs including office supply purchases.

Building Maintenance
Accounts for funds used for general City-owned building maintenance.

Public Liability Self-Insurance
Accounts for funds used to cover general liability claims against the City and premiums for coverage above the City's risk retention level.

Workers' Compensation Self-Insurance
Accounts for funds used to cover premiums and claims paid related to Workers' Compensation coverage.

City of Newark
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Equipment Replacement	Equipment Operations	Office Support	Building Maintenance
ASSETS				
Current assets:				
Cash and investments	$ 92,697	$ 54,168	$ 27,564	$ 207,398
Supplies and other assets	-	54,184	3,000	13,517
Total current assets	92,697	108,352	30,564	220,915
Capital assets, net of accumulated depreciation	1,125,856			
Total assets	1,218,553	108,352	30,564	220,915
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	46,182	40,598	464	86,866
Claims payable, due within one year	-	-	-	-
Total current liabilities	46,182	40,598	464	86,866
Noncurrent liabilities:				
Claims payable, due in more than one year	-	-	-	-
Total liabilities	46,182	40,598	464	86,866
NET ASSETS				
Invested in capital assets	1,125,856	-	-	-
Unrestricted	46,515	67,754	30,100	134,049
Total net assets	$ 1,172,371	$ 67,754	$ 30,100	$ 134,049

Public Liability Self-Insurance	Workers' Compensation Self-Insurance	Total
$ 328,346	$ 1,914,568	$ 2,624,741
7	-	70,708
328,353	1,914,568	2,695,449
		1,125,856
328,353	1,914,568	3,821,305
12,354	26,548	213,012
104,071	380,301	484,372
116,425	406,849	697,384
32,794	1,657,612	1,690,406
149,219	2,064,461	2,387,790
-	-	1,125,856
179,134	(149,893)	307,659
$ 179,134	$ (149,893)	$ 1,433,515

City of Newark
Combining Statement of Activities and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2011

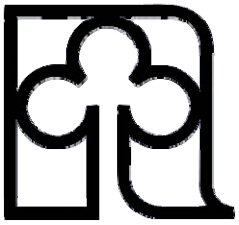
	Equipment Replacement	Equipment Operations	Office Support	Building Maintenance
OPERATING REVENUES:				
Charges to departments	$ 271,283	$ 811,400	$ 102,699	$ 1,399,617
Other revenue	45,446	621	-	6,008
Total operating revenues	316,729	812,021	102,699	1,405,625
OPERATING EXPENSES:				
Personnel services	-	391,937	15,069	437,583
Materials and supplies	138,220	258,819	12,483	44,220
Contractual Services	-	112,924	56,175	387,442
Utilities	-	-	-	511,668
Insurance claims and premiums	-	-	-	-
Depreciation	221,880	-	-	-
Total operating expenses	360,100	763,680	83,727	1,380,913
OPERATING INCOME (LOSS)	(43,371)	48,341	18,972	24,712
Change in net assets	(43,371)	48,341	18,972	24,712
NET ASSETS:				
Beginning of year	1,215,742	19,413	11,128	109,337
End of year	$ 1,172,371	$ 67,754	$ 30,100	$ 134,049

Public Liability Self-Insurance	Workers' Compensation Self-Insurance	Total
$ 566,100	$ 775,305	$ 3,926,404
-	8,442	60,517
566,100	783,747	3,986,921
44,471	20,831	909,891
-	120	453,862
-	346,339	902,880
-	-	511,668
354,898	327,138	682,036
-	-	221,880
399,369	694,428	3,682,217
166,731	89,319	304,704
166,731	89,319	304,704
12,403	(239,212)	1,128,811
$ 179,134	$ (149,893)	$ 1,433,515

City of Newark
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2011

	Equipment Replacement	Equipment Operations	Office Support	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from other funds	$ 316,729	$ 812,021	$ 102,699	$ 1,405,625
Payments to suppliers/other fund	(97,326)	(380,751)	(76,054)	(985,884)
Payments to employees	-	(391,937)	(15,069)	(437,583)
Claims paid	-	-	-	-
Net cash provided (used) by operating activities	219,403	39,333	11,576	(17,842)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(194,493)	-	-	-
Net cash (used) by capital and related financing activities	(194,493)	-	-	-
Net increase (decrease) in cash and cash equivalents	24,910	39,333	11,576	(17,842)
CASH AND CASH EQUIVALENTS:				
Beginning of year	67,787	14,835	15,988	225,240
End of year	$ 92,697	$ 54,168	$ 27,564	$ 207,398
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	$ (43,371)	$ 48,341	$ 18,972	$ 24,712
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	221,880	-	-	-
Change in assets and liabilities:				
Other assets	1,689	(10,150)	(2,000)	2,015
Accounts payable and accrued liabilities	39,205	1,142	(5,396)	(44,569)
Total adjustments	262,774	(9,008)	(7,396)	(42,554)
Net cash provided (used) by operating activities	$ 219,403	$ 39,333	$ 11,576	$ (17,842)

Public Liability Self-Insurance	Workers' Compensation Self-Insurance	Total
$ 566,093	$ 786,801	$ 3,989,968
11,290	(340,764)	(1,869,489)
(44,471)	(20,831)	(909,891)
(346,173)	(127,142)	(473,315)
186,739	298,064	737,273
-	-	(194,493)
-	-	(194,493)
186,739	298,064	542,780
141,607	1,616,504	2,081,961
$ 328,346	$ 1,914,568	$ 2,624,741
$ 166,731	$ 89,319	$ 304,704
-	-	221,880
(7)	3,054	(5,399)
20,015	205,691	216,088
20,008	208,745	432,569
$ 186,739	$ 298,064	$ 737,273



AGENCY FUNDS

Area Improvement Districts Fund

Accounts for cash and investments held on behalf of assessment districts formed within the City. The City is not obligated for repayment of any debt issued by these assessment districts.

City of Newark
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Area Improvement Districts				
Assets:				
Cash and investments	$ 4,264,180	$ 1,491,581	$ 1,465,005	$ 4,290,756
Receivables - Interest	6,120	4,348	6,120	4,348
Total assets	$ 4,270,300	$ 1,495,929	$ 1,471,125	$ 4,295,104
Liabilities:				
Due to bondholders	$ 4,270,300	$ 262,213	$ 237,409	$ 4,295,104
Total liabilities	$ 4,270,300	$ 262,213	$ 237,409	$ 4,295,104

CITY OF NEWARK
Statistical Section

This section of the City of Newark's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial condition.

Contents

Financial Trends

These schedules contain trend information to help the readers understand how the City's financial performance and well-being have changed over time.

1 Net Assets by Component
2 Changes in Net Assets
3 Fund Balances of Governmental Funds
4 Changes in Fund Balances of Governmental Funds

Revenue Source

These schedules present information to help reader assess the City's property and sales tax revenues.

5 Assessed Value of Taxable Property
6 Property Tax Rates - All Overlapping Government
7 Principal Property Tax Payers
8 Property Tax Levies and Collections
9 Taxable Sales by Category

Debt Capacity

These schedules present information to help reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

10 Ratio of Outstanding Debt by Type
11 Direct and Overlapping Governmental Activities Debt
12 Legal Bonded Debt Margin Information

Demographic and Economic Information

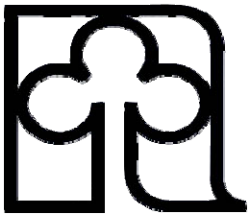
These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

13 Demographic and Economic Statistics
14 Principal Employers

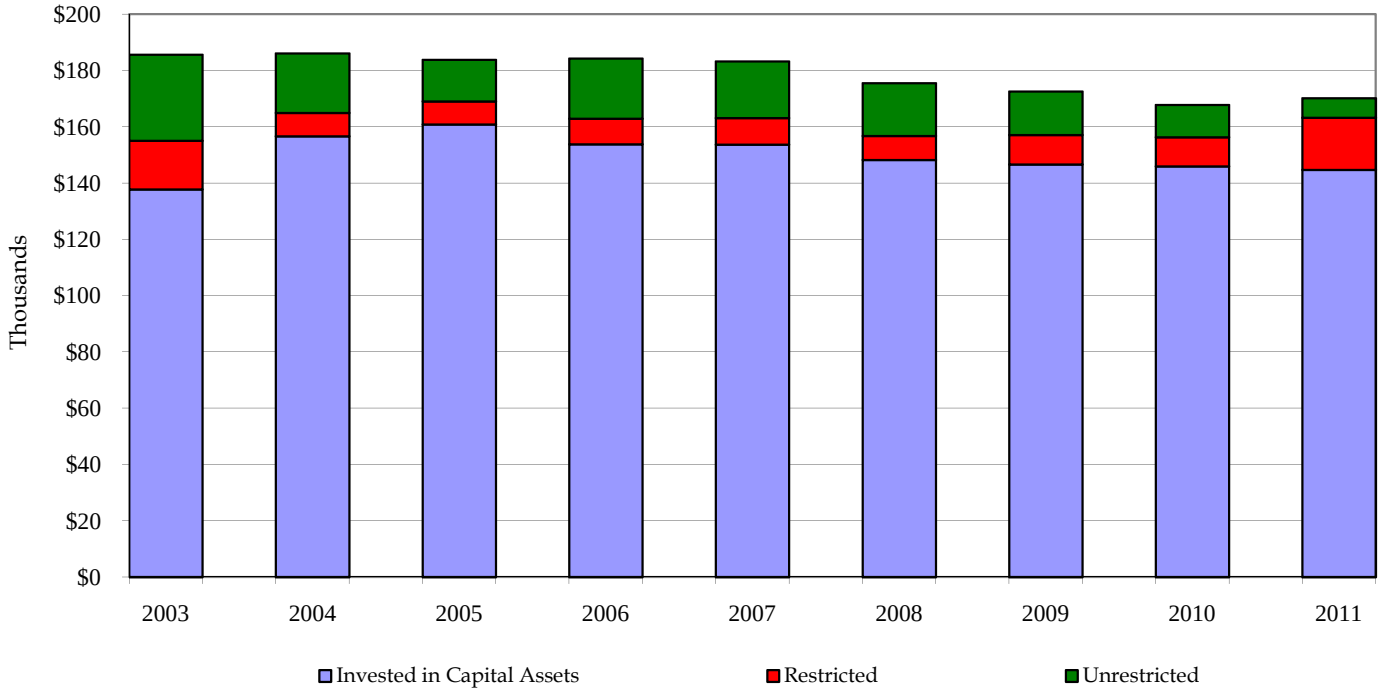
Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.

15 Full-Time Equivalent City Government Employees by Function/Program
16 Operating Indicators by Function/Program
17 Capital Asset Statistics by Function/Program



City of Newark
Net Assets by Component
Last Nine Years
(accrual basis of accounting)
(dollars in thousands)



	Fiscal year ended June 30,								
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Primary government									
Governmental activities:									
Invested in capital assets, net of related debt	$137,764	$156,614	$160,837	$153,827	$153,668	$148,171	$146,665	$145,913	$144,678
Restricted	17,258	8,344	8,190	9,055	9,462	8,560	10,389	10,406	18,563
Unrestricted	30,621	21,061	14,784	21,403	20,143	18,804	15,435	11,490	6,865
Total governmental activities net assets	$185,643	$186,019	$183,811	$184,285	$183,273	$175,535	$172,489	$167,809	$170,106

Source: City of Newark Basic Financial Statements

Note: City implemented GASB 34 in fiscal year 2003. Information for fiscal years 2001 and 2002 is not readily available.

City of Newark
Changes in Net Assets
Last Nine Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal year ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	$4,018	$4,204	$4,754	$6,099	$4,017	$5,183	$4,711	$3,965	$3,838
Public safety:									
Fire	7,121	7,831	8,416	8,091	8,940	8,726	9,839	9,026	8,294
Police	11,102	11,377	12,280	12,866	14,062	15,842	13,519	13,814	12,535
Streets and parks	4,836	6,489	5,256	4,900	4,729	7,696	5,685	6,763	5,644
Community development	2,621	2,687	2,726	2,911	3,567	3,299	2,946	2,863	2,821
Recreation	3,374	3,914	5,043	5,452	6,048	7,398	5,053	4,717	4,865
Interest on long-term debt	1,173	759	692	727	682	705	668	645	618
Total governmental activities expenses	34,245	37,261	39,167	41,046	42,045	48,849	42,421	41,793	38,615
Program revenues									
Governmental activities:									
Charges for services:									
General government	19	22	27	22	49	18	79	82	97
Public safety:									
Fire	472	550	505	745	467	462	415	239	69
Police	709	824	758	506	624	820	769	924	753
Streets and parks	885	671	687	746	796	768	432	666	585
Community development	1,749	1,829	1,875	1,774	1,344	1,389	1,140	1,183	1,198
Recreation	1,223	1,357	2,387	2,560	2,597	2,685	2,497	2,384	2,349
Operating grants and contributions	902	572	500	1,185	3,477	1,700	2,426	3,227	1,838
Capital grants and contributions	3,280	3,834	1,504	2,946	894	1,253	3,351	2,719	1,560
Total governmental program revenues	9,239	9,659	8,243	10,484	10,248	9,095	11,109	11,424	8,449
Net (expense)/revenue									
Total governmental activities net expense	(25,006)	(27,602)	(30,924)	(30,562)	(31,797)	(39,754)	(31,312)	(30,369)	(30,166)
General revenues and other changes in net assets									
Governmental activities:									
Taxes:									
Property taxes	7,852	8,097	9,946	11,900	12,036	12,969	12,962	12,498	11,801
Sales taxes	10,395	11,833	11,552	10,574	9,805	10,856	8,463	6,702	8,807
Franchise taxes	2,157	2,171	2,231	2,366	2,443	2,449	2,453	2,475	2,512
Transient occupancy tax	2,013	2,170	2,320	2,775	3,182	3,326	2,573	2,337	2,785
Other local taxes	214	256	373	316	500	1,080	950	958	1,862
Motor vehicle in-lieu	2,555	1,979	474	230	292	187	157	0	203
Use of money and property	1,281	696	932	1,342	1,640	1,314	658	129	79
Gain on sale of assets	0	0	0	0	0	0	0	523	0
Miscellaneous	1,772	776	888	1,533	888	44	50	66	4,414
general revenues general revenues	28,239	27,978	28,716	31,036	30,786	32,225	28,266	25,688	32,463
Change in net assets governmental activities	$3,233	$376	($2,208)	$474	($1,011)	($7,529)	($3,046)	($4,681)	$2,297

Source: City of Newark Basic Financial Statements

Note: City implemented GASB 34 in fiscal year 2003. Information for fiscal years 2001 and 2002 is not readily available.

CITY OF NEWARK

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

	Fiscal year ended June 30,									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
General Fund										
Nonspendable:										
Supplies and prepaid assets										633
Assigned for:										
Operations reserves										7,000
Fiscal uncertainty										1,566
Reserved	$1,046	$1,161	$719	$486	$668	$607	$223	$421	$449	-
Unreserved	12,591	16,697	13,844	11,953	12,123	11,225	11,659	9,790	6,715	-
Total General Fund	$13,637	$17,858	$14,563	$12,439	$12,791	$11,832	$11,882	$10,211	$7,164	9,199
All other governmental funds										
Restricted for:										
Debt service										1,014
Public safety										182
Street improvements										4,678
Environmental programs										193
Recreation programs										181
Other purposes										506
Assigned for:										
Capital projects										10,499
Other purposes										1,745
Unassigned										(464)
Reserved	$4,345	$8,840	$3,957	$3,478	$2,300	$2,196	$1,000	$3,559	$990	-
Unreserved, reported in:										
Debt service funds	-	-	-	-	-	-	71	49	49	-
Special revenue funds	4,181	3,866	6,538	6,416	10,220	8,130	7,788	6,262	7,492	-
Capital project funds	22,599	21,343	14,688	9,766	7,899	10,091	9,777	8,159	8,306	-
Total all other governmental funds	$31,125	$34,049	$25,183	$19,660	$20,419	$20,417	$18,636	$18,029	$16,837	18,534

Source: City of Newark Basic Financial Statements

CITY OF NEWARK

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)
(dollars in thousands)

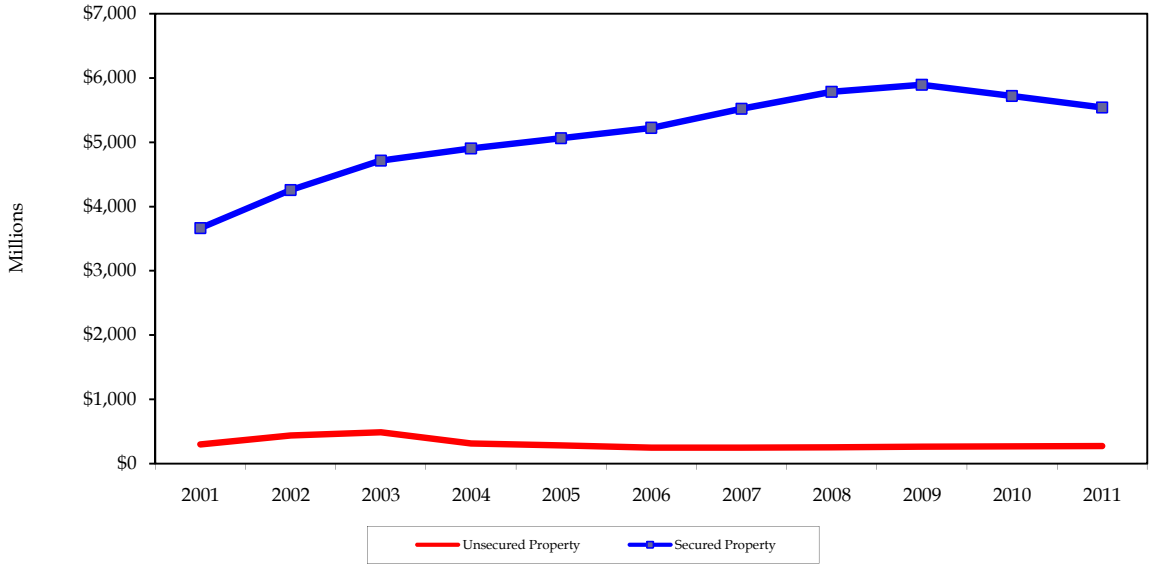
	Fiscal year ended June 30,					
	2002	2003	2004	2005	2006	2007
Revenues						
Property taxes	$7,088	$7,748	$7,996	$9,946	$11,900	$11,943
Other local taxes	14,632	14,779	16,430	16,477	16,031	17,089
Special assessments	172	180	181	229	181	199
Licenses, permits and fees	2,190	1,621	1,608	1,713	1,930	1,048
Fines and forfeitures	226	211	216	202	195	263
Use of money and property	2,421	1,281	696	932	1,342	1,739
Intergovernmental revenues	5,278	7,061	6,991	2,841	3,598	3,636
Charges for services	3,010	2,765	2,752	3,587	4,107	3,635
Other	1,856	1,832	767	1,032	2,236	1,482
Total revenues	36,873	37,478	37,637	36,959	41,520	41,034
Expenditures						
Current:						
General government	4,275	3,540	3,818	4,215	4,023	3,830
Public safety:						
Fire	6,269	6,629	7,658	8,382	8,060	8,716
Police	9,592	10,363	11,117	12,245	12,609	13,831
Streets and parks	6,140	4,470	6,246	4,991	4,691	4,446
Community development	2,682	2,492	2,677	2,678	2,689	3,212
Recreation	3,033	3,275	3,847	5,294	5,375	5,508
Capital outlay	2,518	8,700	12,806	5,173	1,772	1,323
Debt service:						
Principal repayment	440	411	621	652	716	444
Interest and fiscal charges	354	1,106	746	698	722	685
Total expenditures	35,303	40,986	49,536	44,328	40,657	41,995
Excess (deficiency) of revenues over (under) expenditures	1,570	(3,508)	(11,899)	(7,369)	863	(961)
Other financing sources (uses)						
Proceeds from sale of property						
Transfers in	10,543	6,735	8,066	5,257	4,982	3,097
Transfers (out)	(10,515)	(6,795)	(8,327)	(5,536)	(5,132)	(3,097)
Certificates of participation issued		9,925				
Capital lease proceeds					398	
Total other financing sources (uses	28	9,865	(261)	(279)	248	0
Net change in fund balances	$1,598	$6,357	($12,160)	($7,648)	$1,111	($961)
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	3.1%	3.7%	2.8%

Source: City of Newark Basic Financial Statements

Note:
(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for subsequent fiscal years.

Fiscal year ended June 30,			
2008	2009	2010	2011
$12,880	$12,875	$12,281	$11,802
17,710	14,684	13,197	15,926
374	898	904	443
1,089	873	1,040	820
569	528	591	473
1,397	776	109	80
2,643	4,760	3,482	4,575
4,104	3,587	3,306	3,607
554	394	435	4,123
41,320	39,375	35,345	41,849
4,185	4,503	3,807	3,739
8,597	9,426	8,897	8,082
14,113	13,321	13,270	12,725
5,324	4,904	5,934	4,224
2,974	2,713	2,809	2,767
5,630	4,562	4,248	4,413
1,269	1,034	634	374
498	516	975	454
697	674	659	621
43,287	41,653	41,233	37,399
(1,967)	(2,278)	(5,888)	4,450
		1,199	0
3,915	2,163	1,475	3,244
(3,940)	(2,163)	(1,475)	(3,244)
470			
445	0	1,199	0
($1,522)	($2,278)	($4,689)	$4,450
2.8%	2.9%	4.1%	3.0%

CITY OF NEWARK
Assessed Value of Taxable Property
Last Ten Fiscal Years



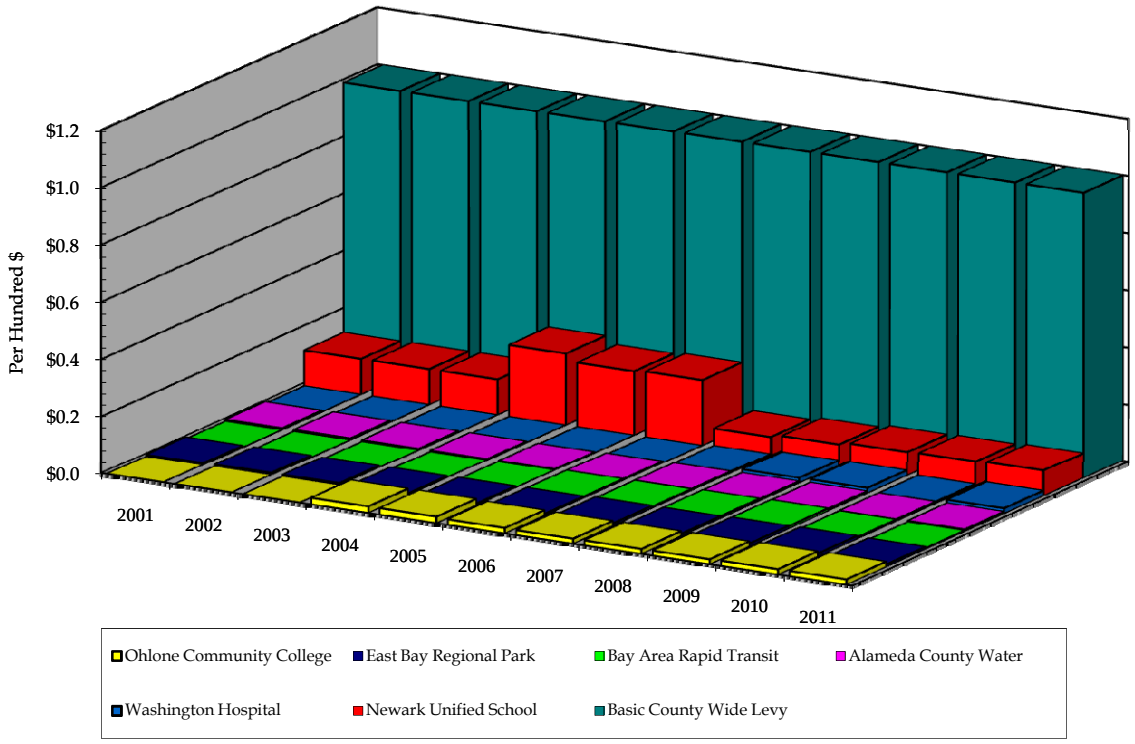
Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Real Property: Industrial Property	Real Property: Other	Total Real Secured Property	Unsecured Property	Total Assessed (a)	Total Direct Tax Rate
2002	$ 2,226,701,939	$ 518,836,347	$ 912,570,932	$ 160,884,038	$ 3,818,993,256	$ 437,515,211	$ 4,256,508,467	0.16329%
2003	2,410,073,611	661,529,093	1,032,706,633	126,190,091	4,230,499,428	485,320,463	4,715,819,891	0.16301%
2004	2,647,343,084	740,808,398	1,111,294,472	92,896,011	4,592,341,965	311,441,137	4,903,783,102	0.16341%
2005	2,840,384,466	753,767,218	1,082,310,566	103,544,323	4,780,006,573	281,919,874	5,061,926,447	0.16361%
2006	3,101,852,346	767,460,260	1,017,840,541	89,986,320	4,977,139,467	247,226,831	5,224,366,298	0.16385%
2007	3,404,836,502	792,256,841	973,078,766	101,984,764	5,272,156,873	250,610,326	5,522,767,199	0.16501%
2008	3,655,787,270	876,293,567	873,977,913	124,265,251	5,530,324,001	256,002,340	5,786,326,341	0.16517%
2009	3,763,035,574	711,435,191	1,004,845,064	150,245,353	5,629,561,182	264,529,850	5,894,091,032	0.16442%
2010	3,410,144,357	731,005,849	1,154,628,273	155,739,144	5,451,517,623	267,890,978	5,719,408,601	0.16549%
2011	3,290,823,839	659,297,835	1,158,994,181	159,093,100	5,268,208,955	271,695,467	5,539,904,422	0.16479%

Source: Alameda County Assessor 2001/02 - 20110/11 Combined Tax Rolls

Note:

(a) In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of the taxable property and is subject to the limitations described above.

CITY OF NEWARK
Property Tax Rates
All Overlapping Governments
Last Ten Fiscal Years



Fiscal Year	Basic County Wide Levy	Alameda County Water District	Bay Area Rapid Transit	East Bay Regional Park District	Newark Unified School District	Ohlone Community College	Washington Hospital	Total
2002	1.0000	0.0064	0.0000	0.0072	0.1250	0.0000	0.0000	1.1386
2003	1.0000	0.0056	0.0000	0.0065	0.1250	0.0000	0.0000	1.1371
2004	1.0000	0.0049	0.0000	0.0057	0.2508	0.0229	0.0000	1.2843
2005	1.0000	0.0035	0.0000	0.0057	0.2248	0.0229	0.0000	1.2569
2006	1.0000	0.0049	0.0048	0.0057	0.2296	0.0193	0.0000	1.2643
2007	1.0000	0.0056	0.0050	0.0085	0.0659	0.0177	0.0055	1.1082
2008	1.0000	0.0064	0.0076	0.0080	0.0755	0.0177	0.0182	1.1334
2009	1.0000	0.0075	0.0090	0.0100	0.0845	0.0176	0.0188	1.1474
2010	1.0000	0.0065	0.0057	0.0108	0.0865	0.0188	0.0063	1.1346
2011	1.0000	0.0071	0.0031	0.0084	0.0900	0.0190	0.0188	1.1464

Source: Alameda County Assessor 2001/02 - 2010/11 Combined Tax Rolls

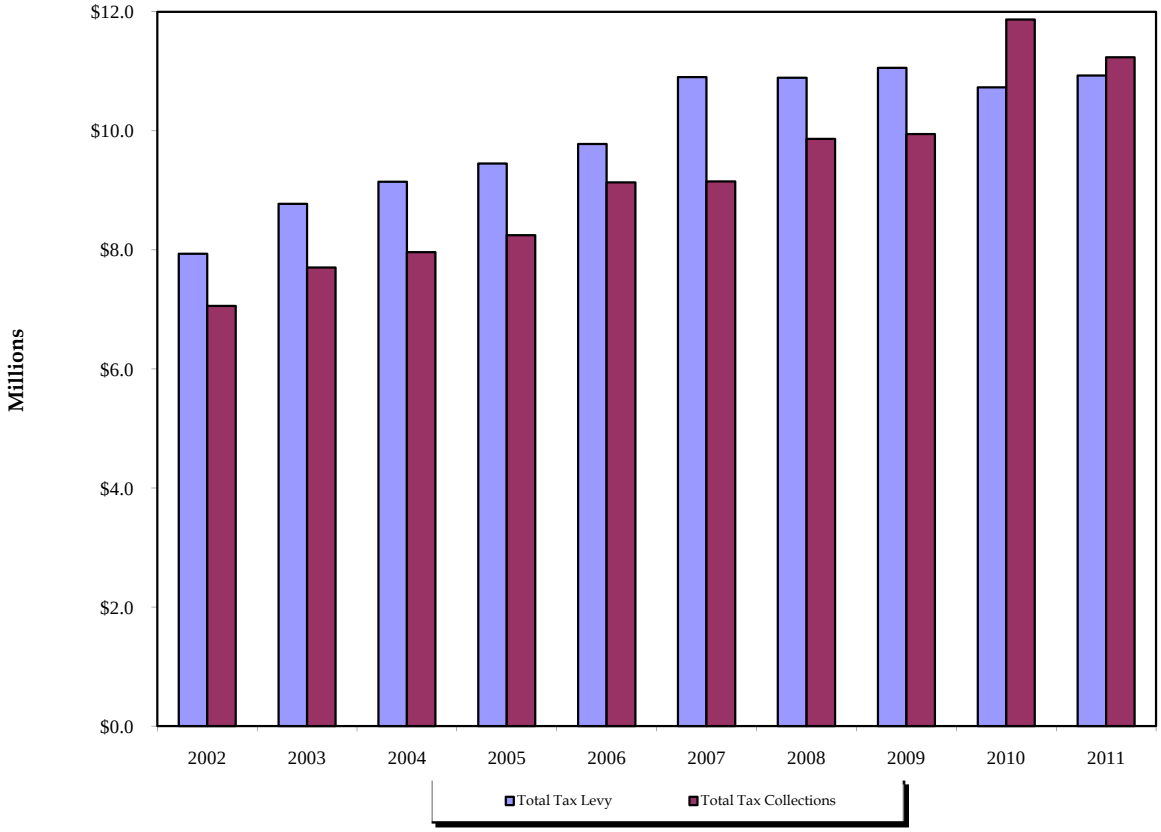
CITY OF NEWARK
Principal Property Tax Payers
Current Year and Ten Years Ago

	2010-11			2000-01		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
BMR Gateway Boulevard LLC	$192,080,678	1	3.67%			
Apple Computer Inc.	169,728,431	2	3.25%			
JMB Newapark Associates & GGP	73,780,650	3	1.41%	$61,608,449	3	1.68%
Sycamore Bay LLC	51,937,664	4	0.99%	43,710,951	5	1.19%
Leslie Salt Company	42,948,717	5	0.82%	29,447,607	9	0.80%
BRE of US Industrial Props LLC	40,142,972	6	0.77%			
DCT Cherry Street California	38,611,117	7	0.74%			
KBS Bridgeway Technology Center	38,300,000	8	0.73%			
BRCP Stevenson Point LLC	37,452,290	9	0.72%			
Newark Partners LLC	36,512,300	10	0.70%			
Security Capital Industrial Trust				37,966,810	6	1.04%
Sun Microsystems Inc.				301,482,502	1	8.23%
Agilent Technologies				64,410,223	2	1.76%
Ross Stores Inc.				55,270,705	4	1.51%
Baypoint Development LLC				29,600,608	8	0.81%
Dayton Hudson Corporation				27,867,009	10	0.76%
Nancy S. & Sothern Jackson L. Mueller				33,208,531	7	0.91%
Subtotal	$721,494,819		13.34%	$684,573,395		18.69%

Total Net Assessed Valuation:
Fiscal Year 2010/11 $5,227,689,943
Fiscal Year 2000/01 $3,663,295,795

Source: Alameda County Assessor 2000/01 and 2010/11 Combined Tax Rolls

CITY OF NEWARK
Property Tax Levies and Collections
Last Ten Fiscal Years



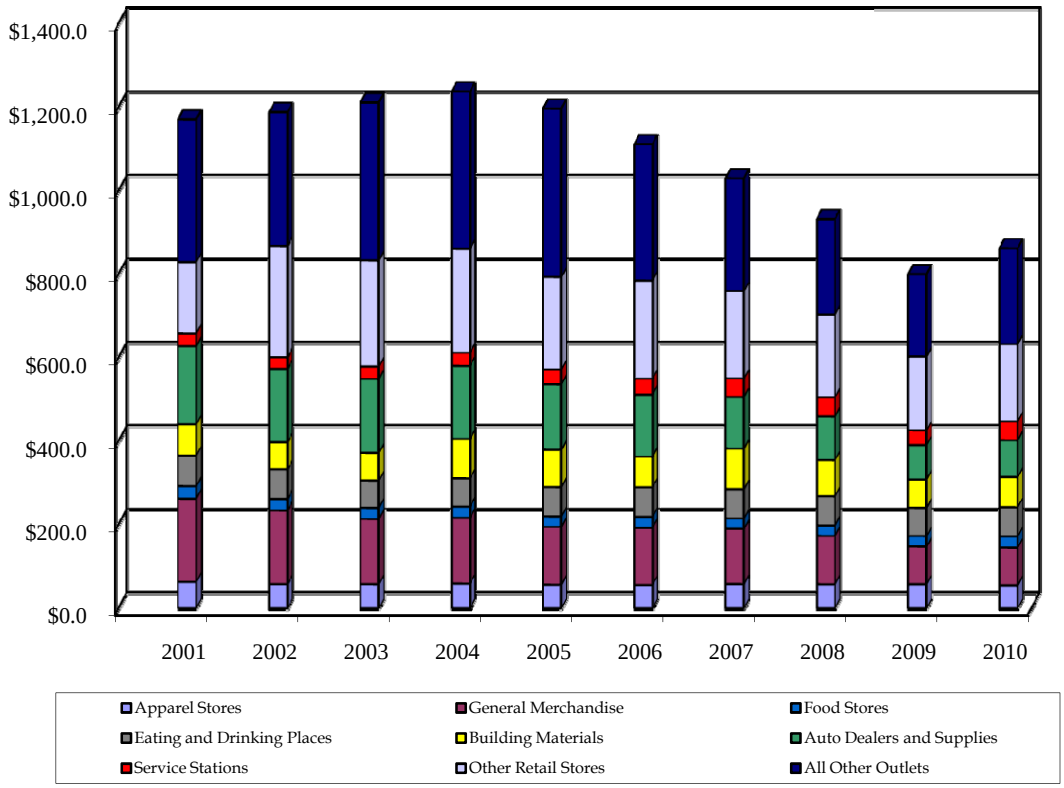
Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (a)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2002	$ 7,933,706	$ 6,927,871	87.3220%	$ 133,395	$ 7,061,266	89.0034%
2003	8,775,669	7,508,171	85.5567%	199,423	7,707,594	87.8291%
2004	9,144,575	7,736,741	84.6047%	224,218	7,960,959	87.0566%
2005	9,454,666	8,061,017	85.2597%	188,015	8,249,032	87.2483%
2006	9,777,924	8,946,459	91.4965%	190,182	9,136,641	93.4415%
2007	10,903,599	8,984,826	82.4024%	166,235	9,151,061	83.9270%
2008	10,894,495	9,619,682	88.2986%	244,843	9,864,525	90.5460%
2009	11,060,851	9,426,933	85.2279%	520,217	9,947,150	89.9311%
2010	10,733,042	11,538,768	107.5070%	334,409	11,873,177	110.6227%
2011	10,929,642	10,940,663	100.1008%	296,965	11,237,628	102.8179%

Source: City of Newark

Note:

(a) Information required by GASB Statement 44 differs from information reported. Delinquent tax collections represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Alameda County Assessor's Office.

CITY OF NEWARK
Taxable Sales by Category
Last Ten Calendar Years

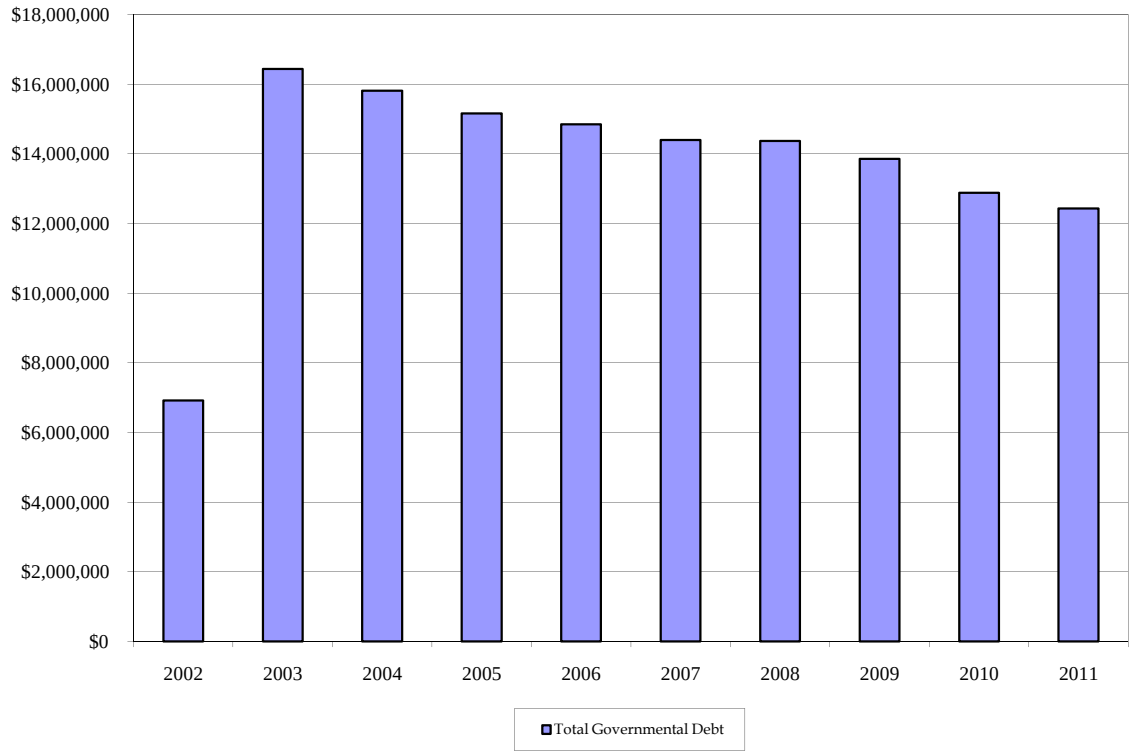


	Calendar Year (in millions)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel Stores	$63.2	$58.0	$57.9	$59.2	$56.6	$56.0	$58.2	$57.6	$57.8	$55.2
General Merchandise	199.5	176.3	156.2	157.4	138.6	136.7	132.3	115.9	90.1	90.1
Food Stores	29.8	27.8	26.9	27.2	25.1	26.6	24.8	25.1	25.4	27.0
Eating and Drinking Places	73.3	70.6	65.2	67.4	69.9	70.5	70.1	69.9	67.7	70.1
Building Materials	74.5	65.0	66.2	94.2	89.2	73.4	97.1	86.4	67.5	72.0
Auto Dealers and Supplies	187.3	176.1	177.2	175.3	157.6	148.8	123.8	104.5	82.5	88.3
Service Stations	31.2	27.4	29.7	31.5	35.2	38.1	44.2	46.1	35.2	44.9
Other Retail Stores	170.4	266.9	254.1	248.6	221.4	235.0	209.4	198.2	176.8	185.2
All Other Outlets	341.0	320.0	377.4	376.8	403.0	326.5	269.7	228.4	197.1	229.2
Total	$ 1,170.2	$1,188.1	$ 1,210.8	$ 1,237.6	$ 1,196.6	$ 1,111.6	$ 1,029.6	$ 932.1	$ 800.1	$ 862.0

Source: State of California Board of Equalization and the HdL Companies

Note: Due to confidentiality issues, the names of the largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. Information by fiscal year is not readily available.

CITY OF NEWARK
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



	Governmental Activities					
Fiscal Year	Certificates of Participation	Refunding Bonds	Capital Lease Obligation	Total	Percentage of Personal Income (a)	Per Capita (a)
2002	$4,745,000	$1,120,000	$1,057,059	$6,922,059	0.66%	287.31
2003	14,575,000	1,045,000	816,201	16,436,201	1.51%	663.58
2004	14,285,000	970,000	560,372	15,815,372	1.38%	604.17
2005	13,985,000	890,000	288,636	15,163,636	1.27%	550.70
2006	13,675,000	805,000	365,771	14,845,771	1.16%	502.34
2007	13,350,000	720,000	332,174	14,402,174	1.07%	466.18
2008	13,015,000	630,000	729,402	14,374,402	1.07%	460.66
2009	12,670,000	535,000	653,138	13,858,138	1.03%	458.38
2010	12,310,000	-	573,230	12,883,230	0.96%	462.29
2011	11,940,000	-	489,504	12,429,504	0.92%	446.01

Sources: City of Newark
State of California, Department of Finance (population)
U.S. Department of Commerce, Bureau of the Economic Analysis (income)

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.
(a) Personal income and population data are presented in the Schedule of Demographic Statistics.

CITY OF NEWARK
Direct and Overlapping Governmental Activities Debt
June 30, 2011

	Debt Oustanding	Percentage Applicable (a)	Share of Overlapping Debt
Debt Repaid with Property Taxes			
Bay Area Rapid Transit District	$413,865,000	1.262%	$5,222,976
East Bay Regional Park District	153,990,000	1.956%	3,012,044
Ohlone Community College District	130,140,000	14.875%	19,358,325
Newark Unified School District	58,267,884	100.000%	58,267,884
Washington Township Heathcare District	70,425,000	12.753%	8,981,300
Alameda County General Fund Obligations	711,512,000	3.257%	23,173,946
Alameda County Pension Obligations	154,584,741	3.257%	5,034,825
Alameda-Contra Costa Transit District Certificates of Participation	37,465,000	3.973%	1,488,484
New Unified School District General Fund Obligations	3,400,000	100.000%	3,400,000
City of Newark 1915 Act Bonds	9,943,000	100.000%	9,943,000
SUB-TOTAL OVERLAPPING DEBT			137,882,785
Direct Debt - City of Newark General Fund Obligations	11,940,000	100.000%	11,940,000
TOTAL DIRECT AND OVERLAPPING DEBT			$149,822,785 (b)

Source: California Municipal Statistics, Inc.

Notes:
(a) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(b) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF NEWARK
Legal Bonded Debt Margin Information
June 30, 2011

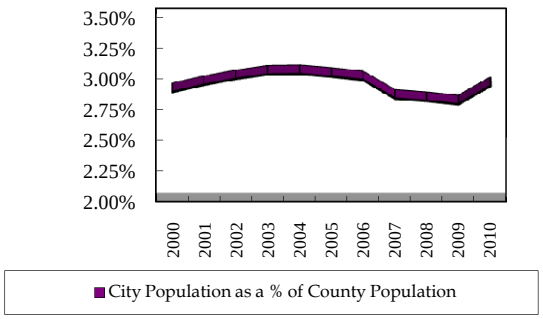
Assessed valuation:

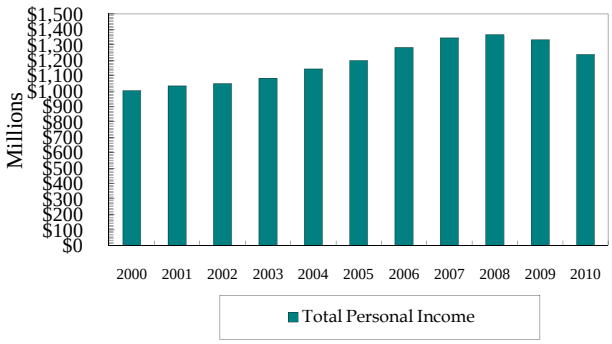
Secured property assessed value, net of exempt real property	$5,227,523,928	
Bonded debt limit (15% of assessed value)		784,128,589
Amount of debt subject to limit:		
Total bonded debt	11,940,000	
Less: Certificates of participation, tax allocation bonds, and sales revenue bonds not subject to limit	11,940,000	
Amount of debt subject to limit		-
Legal bonded debt margin		$784,128,589

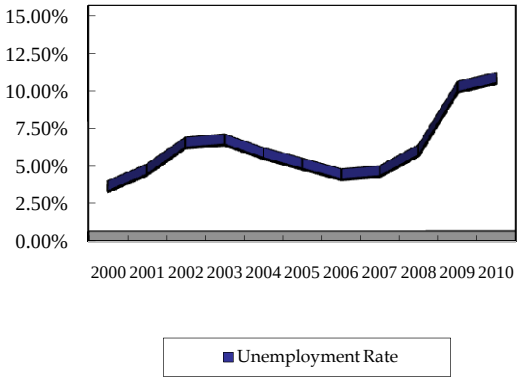
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2002	$ 572,497,194	$ 1,120,000	$ 571,377,194	0.20%
2003	634,268,140	1,045,000	633,223,140	0.17%
2004	688,517,630	970,000	687,547,630	0.14%
2005	716,613,732	890,000	715,723,732	0.12%
2006	746,570,920	805,000	745,765,920	0.11%
2007	790,822,031	720,000	790,102,031	0.09%
2008	829,548,600	630,000	828,918,600	0.08%
2009	844,434,177	440,000	843,994,177	0.05%
2010	810,711,759	-	810,711,759	0.00%
2011	784,128,589	-	784,128,589	0.00%

Source: Alameda County Assessor 2001/02 - 2010/11 Combined Tax Rolls

CITY OF NEWARK
Demographic and Economic Statistics
Last Ten Calendar Years







Calendar Year	City Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Unemployment Rate	Alameda County Population	City Population % of County
2000	42,471	$1,004,063	$23,641	3.3%	1,469,656	2.89%
2001	43,104	1,034,254	23,992	4.4%	1,461,880	2.95%
2002	43,536	1,048,901	24,093	6.2%	1,452,923	3.00%
2003	43,802	1,084,924	24,769	6.4%	1,444,362	3.03%
2004	43,713	1,144,281	26,177	5.5%	1,439,743	3.04%
2005	43,522	1,198,388	27,535	4.8%	1,443,492	3.02%
2006	43,431	1,283,525	29,553	4.1%	1,453,646	2.99%
2007	43,553	1,345,541	30,894	4.3%	1,534,959	2.84%
2008	43,801	1,366,781	31,204	5.7%	1,554,220	2.82%
2009	44,064	1,332,171	30,233	9.9%	1,578,264	2.79%
2010	44,380	1,236,782	27,868	10.5%	1,510,271	2.94%

Source: State of California, Department of Finance
State of California Employment Development Department
U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF NEWARK

Principal Employers

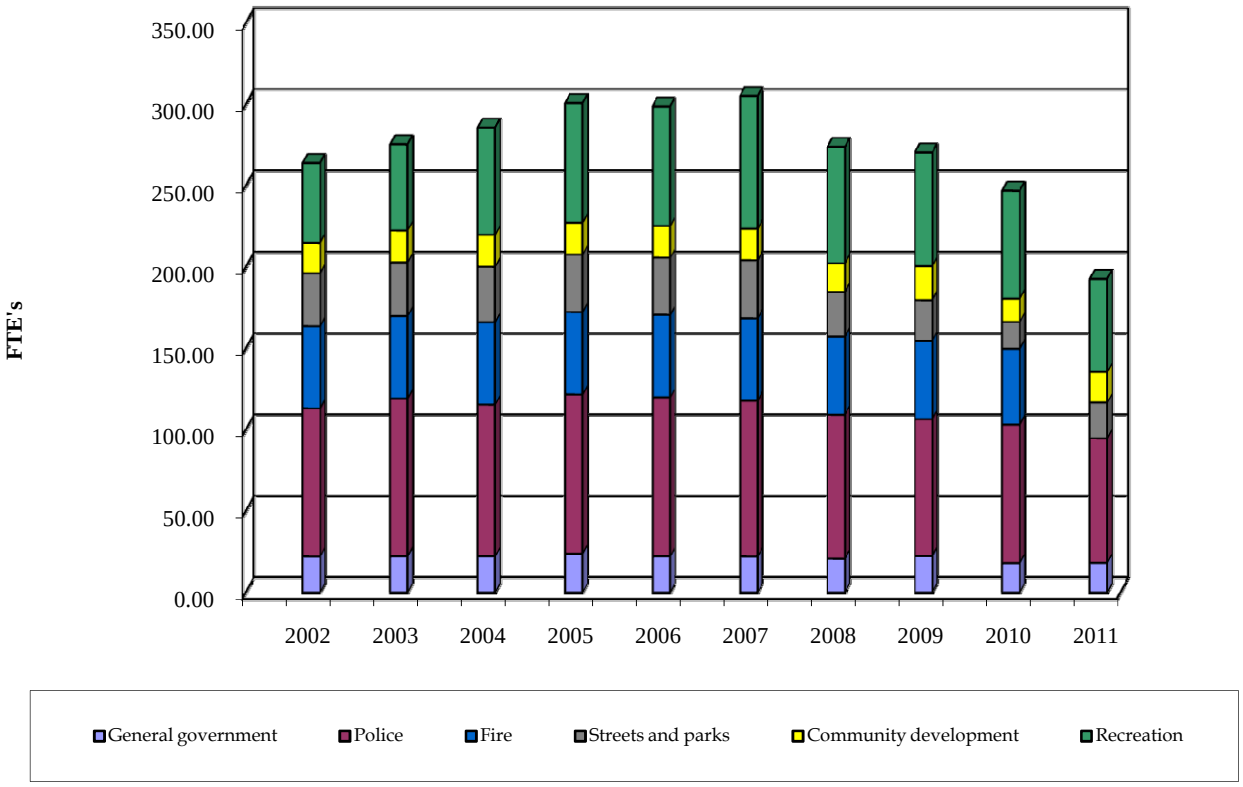
Current Year and Eight Years Ago

	2010-2011			2002-03		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Newark Unified School District	700	1	3.4%	700	2	3.4%
WorldPac	280	2,3	1.4%	290	6	1.4%
Full Bloom Baking Company	280	2,3	1.4%			
Risk Management Solutions	270	4	1.3%	200	10	1.0%
Smart Modular Technologies	249	5	1.2%			
City of Newark	193	6	0.9%	280	5	1.3%
Cargill Salt	182	7	0.9%	230	9	1.1%
Valassis (formerly ADVO)	166	8	0.8%	270	7	1.3%
Staples (formerly Corporate Express)	154	9	0.8%	600	3	2.9%
Home Depot	129	10	0.6%			
Sun Microsystems				3,700	1	17.7%
ModusLink				300	4	1.4%
Nancy's Specialty Foods				250	8	1.2%
Total	2,603		12.8%	5,830		28.0%
Total City Employment	20,377			20,852		

Source: City of Newark Community Development Department
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF NEWARK

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years



	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Function/Program:										
General government	22.10	22.25	22.25	23.95	22.25	22.10	20.86	22.38	18.25	18.43
Public safety										
Police	91.00	97.00	93.25	97.75	97.75	95.75	88.45	84.17	85.00	76.39
Fire	50.60	50.70	50.70	50.70	50.70	50.70	48.00	48.20	46.65	0.00
Streets and parks	32.55	33.00	34.00	35.35	35.15	35.70	27.45	25.03	16.45	21.94
Community development	18.85	19.65	19.65	19.60	19.50	19.35	17.57	20.74	14.30	18.80
Recreation	48.90	52.90	65.90	73.40	73.40	81.65	71.57	69.94	66.25	57.22
Total	264.00	275.50	285.75	300.75	298.75	305.25	273.90	270.46	246.90	192.78

CITY OF NEWARK
Operating Indicators by Function/Program
Last Five Fiscal Years

	Fiscal Year				
	2007	2008	2009	2010	2011
Function/Program					
Public safety:					
Fire					
Fire calls for service	2,831	3,113	2,787	2,392	N/A
Primary fire inspections conducted	1,599	1,241	1,089	1,177	1,177
Environmental safety inspections conducted	1,259	1,069	646	126	126
Police					
Communication center calls answered	40,925	40,749	38,201	37,863	32,935
Police calls for service	37,553	37,577	35,248	35,447	32,935
Law violations					
Part I crimes	2,227	2,195	2,556	2,012	1,800
Traffic violations	6,456	7,111	5,353	5,838	5,061
Parking violations	1,307	1,087	833	1,292	1,511
Public works:					
Street resurfacing (miles)	14	10	0	11	6
Street lights repaired	491	435	486	342	492
Recreation:					
Recreation class/program participants	278,199	247,882	260,196	211,684	279,071
Recreation facilities rentals	1,626	1,671	1,967	1,262	1,190
Silliman Activity Center use	144,278	141,848	129,238	114,540	108,609
Miscellaneous:					
Library:					
Library visitors	186,200	194,948	215,524	230,443	202,461
Library materials circulated	264,309	274,316	298,456	318,510	291,352

Source: City of Newark
Alameda County Library

Note: City implemented GASB 44 in fiscal year 2006. Information for fiscal years 2001 through 2005 is not readily available.

CITY OF NEWARK
Capital Asset Statistics by Function/Program
Last Six Fiscal Years

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Function/Program						
Public safety:						
Fire stations	3	3	3	3	3	3
Police stations	1	1	1	1	1	1
Police patrol units	16	16	15	15	15	15
Public works:						
Miles of streets	104	104	104	105	105	105
Street lights	2,816	2,816	2,816	2,848	2,848	2,848
Traffic Signals	42	42	42	43	43	43
Recreation:						
Community services:						
City parks	14	14	14	14	14	14
City parks acreage	124	124	124	124	124	124
Roadway landscaping acreage	56	56	56	56	56	56
Lake acreage	16	16	16	16	16	16
Community activity centers	2	2	2	2	2	2
Senior center	1	1	1	1	1	1
Aquatic center	1	1	1	1	1	1
Miscellaneous						
Library	1	1	1	1	1	1

Source: City of Newark

Note: City implemented GASB 44 in fiscal year 2006. Information for fiscal years 2001 through 2005 is not readily available.

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Certified Public Accountants

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

To the Honorable Mayor and Members of City Council
of the City of Newark
Newark, California

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Newark (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2011-03 to be a material weakness.

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 by governance. We consider the deficiencies described in the accompanying schedule of findings as items 2011-01 and 2011-02 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*, and are described in the accompanying schedule of findings as items 2011-04 and 2011-05.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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

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Certified Public Accountants
San Francisco, California
January 31, 2012

2011-01. Expenditures exceeding appropriations

Criteria:

Significant amounts of expenditures in excess of appropriated amounts were noted. The City did not amend its budget prior to incurring the expenditures.

Condition:

The City had a significant number of excess of expenditures over appropriations for various functions as noted below:

General Fund		*Paramedic Tax*	
General government	$ 435,214	Public safety: Fire	$ 1,869
Public safety: Fire	167,296		
Public safety: Police	171,672	*Alameda County Fire Fees*	
Streets and Parks	39,934	Public safety: Fire	$ 4,814
Community development	44,051		
Recreation	258,899	*Police Grants*	
Debt Service: Principal repayment	83,726	Public safety: Police	$ 59,880
Debt Service: Interest and fiscal charges	27,482	Capital outlay	33,488
Community Development Act			
Community development	$ 211,463	*Waste Disposal*	
Capital outlay	94,000	Community development	$ 315,502
Capital Projects Fund		*Measure B - ACTIA*	
Recreation	$ 377,256	Recreation	$ 7,771
RDA Capital Projects Fund		*Hazardous Materials Program*	
Community development	$ 80,653	Public safety: Fire	$ 4,429

Cause:

The City did not adopt additional budget amendments to track additional expenditures made. The City did not maintain adequate budgetary controls to prevent expenditures in excess of appropriations for noted line items.

Context and Effect:

The City and other such users of the City's basic financial statements may not be able to effectively review and analyze the City's financial results when compared against the City's budget, and the City may not be able to effectively monitor ongoing financial activities during the year.

The City may incur excesses in expenditures for certain functions, and not have adequate remaining budget to fund other expected expenditures which were included as part of the City's budget.

Questioned Costs:

Not applicable.

2011-01. Expenditures exceeding appropriations, Continued

Recommendation:

We recommend that the City adopt budget amendments more frequently for any significant planned expenditures that are made subsequent to the budgeting process, as well as adopt budget amendments for any expected new revenues.

Management Response:

Although these items were anticipated and the Council was made aware of them, due to the transitioning in of new staff, an appropriate budget amendment did not officially adjust the budget. A majority of the $316,672 in Police and the Police grant amounts were approved by Council when the grants were approved. The expenditure increased but so did the associated revenue. The $377,256 in Capital Projects Fund-Recreation was attorney fees for litigation in relation to contractor defects which the Council was given routine updates on the progress of that litigation. This litigation resulted in a $3.2 million settlement. The $330,214 in General Government is a combination of special election costs, retirement cash-outs, litigation services and prior-year correction, again Council was aware of these expenditures. The majority of the $80,653 in RDA Capital Projects Fund were expenditures related to contracts that were approved by Council in previous years, but some of the expenses related to the contracts occurred in 10/11.

As recommended, we will adopt a mid-year budget amendment on February 23, 2012 and a year-end budget amendment on June 28, 2012.

We will also return to the practice of providing City Council with monthly year-to-date updates on the budget status.

2011-02. Restatement of Previously Issued Financial Statements

Criteria:

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition:

The City has restated its previously issued financial statements to defer grant revenues that were recognized in the fiscal year ended June 30th, 2010, however were not collected within 60 days from the end of the fiscal year. Such amounts should have been recorded as deferred revenue as they should have been considered not available for current year expenditures.

Cause:

The City's internal controls over financial reporting did not identify the misstatements in a timely manner resulting in the restatement.

Questioned Costs:

Not applicable.

Context and Effect:

The City's previously issued financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

Management Response:

City agrees with this comment. The lack of timeliness was due to staff departure.

2011-03. Internal Controls over Financial Reporting and Preparation of the Financial Statements

Criteria:

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Formal written Accounting Policies and Procedures improves consistency in the accounting processes used to complete work and improve the level of control over transactions

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition:

During the performance of the audit, we noted that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2011 were not effective, which contributed to the City's delayed closing of the City's trial balances, and unpreparedness for the audit. The City posted numerous closing adjustments and corrections subsequent to the trial balance being provided for the audit.

The City currently does not have formal Accounting Policies and Procedures for the following areas:

- General Ledger
- Journal Entry Preparation and Posting
- Billing and Cash Receipts
- Cash Disbursement
- Payroll
- Capital Assets

In addition, there were numerous misstatements that were discovered in the City's financial statements and note disclosures that were initially prepared by the City.

Cause:

The City encountered difficulties in financial reporting due to the following:

- The City's Finance department experienced significant turnover in positions with relevant roles in the City's financial reporting and financial statement preparation processes.
- The City's lack of formal written Accounting Policies and Procedures, and reliance on communication of policies and procedures through the use of on-the-job training resulted in loss of knowledge transfer and experience over such procedures and policies during the employee turnover experienced by the Finance department during the year.
- The City does not have an adequate review process in place to ensure financial statement and note disclosures are free of material misstatements and that all required disclosures have been properly reflected.

2011-03. Internal Controls over Financial Reporting and Preparation of the Financial Statements, Continued

Questioned Costs:

Not applicable.

Context and Effect:

The City was unable to close its books and generate year end reports, reconciliations, and accurate supporting schedules in timely manner.

Without adequate documentation of existing policies and procedures, changes in personnel may jeopardize the efficient processing of daily transactions.

The financial statements and related note disclosures were not prepared in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend the following:

- The City develops and implements formal accounting policies and procedures manuals. Implementation of the accounting policies and procedures manuals will improve consistency in the processes used to complete work and improve the level of control over transactions processed by the City.
- The City develop checklists or other guidance documents over the City's closing process to ensure all closing entries are captured in the City's general ledger in a timely manner, and supporting schedules agree or reconcile to respective account balances prior to the trial balance being provided for the audit.
- The City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Management Response:

The City agrees with the finding that the turnover in staff caused significant difficulties in preparing the closing. The City is currently working to implement formal accounting policies and procedures.

2011-04. Filing of required annual reports

Criteria:

Health and Safety Code Section 33080.1 requires that the Redevelopment Agency file various reports to the State Controller's Office of California within six months of the fiscal year end.

Condition:

During the performance of the audit, we noted that the Redevelopment Agency had not submitted the following reports to the Agency's legislative body and State Controller's Office of California for Newark 2001 Redevelopment Project:

- Blight Progress Report – describes the Agency's progress in alleviating blight in the previous fiscal year.
- Loan Report – a list of, and status report on, all loans made by the Redevelopment Agency that are $50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Redevelopment Agency.
- Property Report – describes the total number and nature of the properties that the Agency owns and those properties the agency has acquired in the previous fiscal year.
- A list of fiscal years that the Agency expects each of the following time limits to expire:
    - The time limit for the commencement for eminent domain proceeding to acquire property within the project area.
    - The time limit for the establishment of loans, advances, and indebtedness to finance the redevelopment project area
    - The time limit for the effectiveness of the redevelopment plan.
    - The time limit to repay indebtedness with the proceeds of property taxes.

Cause:

The Redevelopment Agency was not aware of the requirement to file the above mentioned reports.

Context and Effect:

The Redevelopment Agency will not be in compliance with Section 33080.1 of the Health and Safety Code.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the Agency prepare a package of reports required by the Health and Safety Code and submit to the Agency's legislative body and State Controller's Office of California.

Management Response:

Staff has completed an Annual Report of the Newark Redevelopment Agency for Fiscal Year 2010/11. The report contains all information required by Health and Safety Code Section 33080 and was presented to Council at the December 8, 2011 City Council meeting.

2011-05. Verification of Debarment or Suspension for Covered Contracts

Criteria:

Per 2 CFR Section 180.300, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition:

During the performance of the audit, we noted that the City could not provide documentation that verification had been performed for covered contracts entered into for the following federal programs:

- Public Safety Partnership Program
- Energy, Efficiency, and Conservation Block Grant

Cause:

The City did not maintain documentation of any verification performed, and did not include a condition for debarment or suspension in agreements with parties contracted to for projects funded with the above mentioned contracts.

Context and Effect:

The City may not be able to show that a debarment or suspension verification was performed at the time the City entered into an agreement with a vendor, who subsequently is debarred or suspended by a federal agency.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the City print out such verifications and file a copy of the verification in the vendor's contract file when covered contracts are entered into and for any subsequent verifications.

Management Response:

The City is currently working on a Grant policy, and as part of the Grant Policy, this issue will be addressed.

2010-01. Computer System Back-Up Files

Criteria:

Back-up files should be kept on an off-site location to ensure that the City would be able to recover lost financial data in the case of a fire or other disaster.

Condition:

The City currently performs frequent back-up procedures to tape, however all the back-up tapes are kept in a vault in the Finance Department.

Cause:

The City does not have an off-site storage location for back-up tape storage.

Questioned Costs:

Not applicable.

Context and Effect:

The City does not have an off-site storage for back-up files, and a possibility exists that the City may not be able to restore or recreate computer programs and data in the case of fire or other disaster.

Recommendation:

We recommend that the City store the computer back-up tapes in an off-site location. In addition, this off-site storage could retain the City's annual financial data, reports and program archive disks which would release memory space on the City's computer system.

Prior Year Management Response:

The City agrees with this finding and is currently implementing the off-site storage of the back-up tapes.

Status:

Implemented.

2010-02. Accounting Policies and Procedures

Criteria:

Formal written Accounting Policies and Procedures improves consistency in the accounting processes used to complete work and improve the level of control over transactions

Condition:

The City currently does not have formal Accounting Policies and Procedures for the following areas:

- General Ledger
- Journal Entry Preparation and Posting
- Billing and Cash Receipts
- Cash Disbursement
- Payroll
- Capital Assets

Cause:

The City communicates policies and procedures mainly through the use of on-the-job training instead of formal Accounting Policies and Procedures.

Questioned Costs:

Not applicable.

Context and Effect:

Without adequate documentation of existing policies and procedures, changes in personnel could jeopardize the efficient processing of daily transactions.

Recommendation:

We recommend that the City develop and implement formal accounting policies and procedures manuals. Implementation of the accounting policies and procedures manuals will improve consistency in the processes used to complete work and improve the level of control over transactions.

Prior Year Management Response:

The City agrees with this finding and is currently working to implement formal accounting policies and procedures.

Status:

In progress, refer to finding 2011-03.

2010-03. Redevelopment Agency Blight Progress Report, Loan Report, and Property Report

Criteria:

Health and Safety Code Section 33080.1 requires that the Redevelopment Agency file various reports to the State Controller's Office of California within six months of the fiscal year end.

Condition:

During the performance of the audit, we noted that the Redevelopment Agency had not filed the following reports:

- Blight Progress Report – describes the Agency's progress in alleviating blight in the previous fiscal year.
- Loan Report – a list of, and status report on, all loans made by the Redevelopment Agency that are $50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Redevelopment Agency.
- Property Report – describes the total number and nature of the properties that the Agency owns and those properties the agency has acquired in the previous fiscal year.

Cause:

The Redevelopment Agency was not aware of the requirement to file these reports.

Context and Effect:

The Redevelopment Agency will not be in compliance with Section 33080.1 of the Health and Safety Code.

Questioned Costs:

Not applicable.

Recommendation:

We recommend that the Agency file the above mentioned reports.

Prior Year Management Response:

The public hearing for the reports is scheduled for January 13, 2011.

Status:

Not implemented, refer to finding 2011-04.