

**MEASURE G BOND BUILDING FUND OF
NEWARK UNIFIED SCHOOL DISTRICT**

FINANCIAL AND PERFORMANCE AUDIT REPORT

FOR THE YEAR ENDED

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

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ACCOUNTANCY CORPORATION *associates*

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
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JUNE 30, 2018**

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**MEASURE G BOND BUILDING FUND
 NEWARK UNIFIED SCHOOL DISTRICT
 INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING
 JUNE 30, 2018**

Newark Unified School District (NUSD) was established in 1964. The District operates six elementary schools (grades TK-6), one primary school (grades TK-2), one intermediate school (grades 3-6), one junior high school (grades 7-8), one comprehensive high school (grades 9-12), one continuation high school, one independent study school, and one adult education center.

On November 8, 2011, voters of the District approved Measure G, authorizing the issuance and sale of the principal amount of \$63,000,000 of general obligation bonds of the District. The Bonds are being issued to finance the addition and modernization of certain District facilities. The Bonds are general obligation bonds of the District, payable solely from ad valorem property taxes. All Measure G funds are accounted for in separate resources within Fund 21 of the District's general ledger.

Measure G is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure G including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The summarized text of the ballot language of Measure G was as follows:

"To preserve quality education, provide safe and modern schools, and qualify for matching funds, shall Newark Unified School District update aging classrooms, libraries, and science labs to meet earthquake/fire/safety standards; improve access for students with disabilities; remove asbestos, lead and hazardous materials; and improve energy/operational efficiency to maximize funding for instructional programs; by issuing \$63 million in bonds at legal rates, with independent oversight, no money for administrators' salaries, and all funds staying in Newark."

As of June 30, 2018, the Citizens' Bond Oversight Committee was comprised of the following members:

<u>Name</u>	<u>Title</u>	<u>Representation</u>
Cindy Parks	Chair	Member-at-Large
Marek Yarbrough	Vice Chair	Parent of NUSD Student
Cary Knoop	Secretary	Parent of NUSD Student and Member of PTA
Olga Borjon	Member	Member-at-Large
Christine Clinton	Member	Parent of NUSD Student
Jack Dane	Member	Member of a Senior Citizens' Organization
Adam Modzeleski	Member	Member-at-Large
Yoana Navarro	Member	Member-at-Large
Vacant*	Member	Member of a Business Organization
Vacant*	Member	Member of a Taxpayers' Organization

**During the 2017-18 fiscal year, the District was actively seeking a member of a business organization and taxpayers' organization to fill the vacant seats on the committee.*

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board Members and
Measure G Citizens' Bond Oversight Committee
Newark Unified School District
Newark, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G Bond Building Fund of Newark Unified School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Measure G Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure G Bond Building Fund as issued by the District, through the County of Alameda, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure G Bond Building Fund as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019, on our consideration of the Measure G Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure G Bond's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 12, 2019, on our consideration of the Measure G Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure G Bond Building Fund for the year ended June 30, 2018, should be considered in assessing the results of our financial audit.


San Diego, California
February 12, 2019

FINANCIAL SECTION

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2018**

ASSETS

Cash and investments	\$	12,418,452
Accounts receivable		<u>42,113</u>
Total Assets	\$	<u>12,460,565</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	99,021
Total Liabilities		<u>99,021</u>

FUND BALANCE

Restricted for Measure G projects		<u>12,361,544</u>
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Total Liabilities and Fund Balance	\$	<u>12,460,565</u>
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The accompanying notes are an integral part of these financial statements.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES	
Local revenue	\$ 281,212
Total Revenues	<u>281,212</u>
EXPENDITURES	
Plant services	176,440
Facilities acquisition and construction	<u>3,748,539</u>
Total Expenditures	<u>3,924,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,643,767)</u>
Net Change in Fund Balance	<u>\$ (3,643,767)</u>
Fund Balance, July 1, 2017	<u>16,005,311</u>
Fund Balance, June 30, 2018	<u>\$ 12,361,544</u>

The accompanying notes are an integral part of these financial statements.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Newark Unified School District (the “District”) was founded in 1964. This District operates under a locally elected Board form of government and provides educational services to grades TK – 12 in an area of Alameda County as mandated by the state and federal agencies.

On November 8, 2011, the voters of the District approved by 55.9% vote Measure G, authorizing the issuance of \$63,000,000 of general obligation bonds to update aging classrooms, libraries, and science labs to meet earthquake/fire/safety standards; improve access for students with disabilities; remove asbestos, lead and hazardous materials; and improve energy/operational efficiency to maximize funding for instructional programs. Because the Bond required only 55% of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens’ bond oversight committee and to conduct a financial and performance audit.

The Committee’s oversight goals include ensuring expenditures are within the language of the ballot measure and advising the District’s Governing Board on various projects. The Citizens’ Bond Oversight Committee must include, among others, representation of a bona fide taxpayers’ association, a business organization, and a senior citizens organization. No District employees or vendors are allowed to serve on the Citizens’ Bond Oversight Committee.

The fund financial statements are for the Measure G Bond Building Fund. Since this is just one component of the district, these financial statements are not intended to be a complete presentation of the District’s financial position or results of operations. Accordingly, these fund statements do not include a government wide financial statement, management discussion and analysis or related organizational disclosures. The audited financial statements of Newark Unified School District include the Measure G Bond Building Fund activities, related debt and disclosures as well as the management discussion and analysis.

An advisory committee to the District’s Governing Board and Superintendent, the Measure G Citizens’ Bond Oversight Committee (“CBOC”) was established pursuant to the requirements of state law and the provisions of Measure G. The purpose of the CBOC is to inform the public concerning the use of bond proceeds. The CBOC is required by state law to actively review and report on the proper expenditure of taxpayers’ money for school construction. The CBOC provides oversight and advises the public as to whether the District is spending the Measure G Bond funds for school capital improvements within the scope of projects outlined in the Measure G Project List. In fulfilling its duties, the CBOC reviews, among other things, the District’s annual performance and financial audits of Measure G activity.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The statements presented are for the individual Measure G Bond Building Fund of the District, consisting of the net construction proceeds of Measure G Series A, Series B, and Series C general obligation bonds as issued by the District, through the County of Alameda, and are not intended to be a complete presentation of the District's financial position or results of operations.

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

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

C. Basis of Accounting

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Encumbrances

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

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

In accordance with Education Code Sections 15357 and 41001, the Measure G Bond Building Fund maintains its cash in the Alameda County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's Governing Board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance in Measure G Bond Building Fund is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2018 consist of \$12,418,452 held in cash in county treasury.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Alameda County Investment Pool with a fair value of approximately \$12,394,034 and an amortized book value of \$12,418,452. The weighted average maturity for this pool as of June 30, 2018 is 357 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the pool are not required to be rated.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	\$ 12,394,034
Total fair market value of investments	\$ 12,394,034

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2018 consisted of \$42,113 from interest on investments in the County Treasury.

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of \$99,021 due to various construction vendors.

NOTE 5 – MEASURE G BONDS

On July 31, 2012, the District issued Election of 2011 General Obligation Bonds, Series A in the aggregate principal amount of \$15,000,000. The bonds were issued for the purpose of renovating, repairing, contracting, and equipping certain District schools, sites, and facilities. The bonds carry interest rates ranging from 3.375% to 5.0% and mature on August 1, 2042.

On June 19, 2014, the District issued Election of 2011 General Obligation Bonds, Series B in the aggregate principal amount of \$30,000,000. The bonds were issued for the purpose of financing the renovation, construction and improvement of school facilities. The bonds carry interest rates ranging from 2.0% to 5.0% and mature on August 1, 2044.

On July 13, 2016, the District issued Election of 2011 General Obligation Bonds, Series C in the amount of \$18,000,000. The bonds were issued for the purpose of financing the renovation, construction and improvement of school facilities. The bonds carry interest ranging from 2.0% to 4.0% and mature on August 1, 2036.

The bonded debt is paid through the ad valorem property taxes through the Alameda County and the debt liability is carried on the Newark Unified School District’s government-wide financial statements.

The District’s General Obligation Bonds represent general obligations payable solely from ad valorem property taxes. The general obligation debt for the Election of 2011 bonds at June 30, 2018 was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding June 30, 2017	Additions	Deductions	Outstanding June 30, 2018
2011 Series A	7/31/2012	8/1/2042	3.375% - 5.000%	\$ 15,000,000	\$ 10,675,000	\$ -	\$ -	\$ 10,675,000
2011 Series B	6/19/2014	8/1/2044	2.000% - 5.000%	30,000,000	27,985,000	-	200,000	27,785,000
2011 Series C	7/13/2016	8/1/2036	2.000% - 4.000%	18,000,000	18,000,000	-	650,000	17,350,000
					<u>\$ 56,660,000</u>	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 55,810,000</u>

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 5 – MEASURE G BONDS (continued)

The 2011 Series A general obligation bonds outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ 426,900	\$ 426,900
2020	-	426,900	426,900
2021	-	426,900	426,900
2022	-	426,900	426,900
2023	75,000	424,931	499,931
2024 - 2028	815,000	2,024,906	2,839,906
2029 - 2033	1,785,000	1,739,750	3,524,750
2034 - 2038	3,080,000	1,287,600	4,367,600
2039 - 2043	4,920,000	514,175	5,434,175
Total	\$ 10,675,000	\$ 7,698,962	\$ 18,373,962

The 2011 Series B general obligation bonds outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 200,000	\$ 1,364,050	\$ 1,564,050
2020	200,000	1,357,050	1,557,050
2021	200,000	1,349,050	1,549,050
2022	200,000	1,341,050	1,541,050
2023	200,000	1,333,050	1,533,050
2024 - 2028	1,210,000	6,528,100	7,738,100
2029 - 2033	3,240,000	6,033,750	9,273,750
2034 - 2038	5,945,000	4,904,125	10,849,125
2039 - 2043	9,700,000	2,972,500	12,672,500
2044 - 2045	6,690,000	341,500	7,031,500
Total	\$ 27,785,000	\$ 27,524,225	\$ 55,309,225

**MEASURE G BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2018**

NOTE 5 – MEASURE G BONDS (continued)

The 2011 Series C general obligation bonds outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 750,000	\$ 550,300	\$ 1,300,300
2020	685,000	535,950	1,220,950
2021	400,000	523,100	923,100
2022	500,000	509,600	1,009,600
2023	550,000	493,850	1,043,850
2024 - 2028	4,050,000	2,139,750	6,189,750
2029 - 2033	5,140,000	1,437,100	6,577,100
2034 - 2037	5,275,000	386,650	5,661,650
Total	\$ 17,350,000	\$ 6,576,300	\$ 23,926,300

NOTE 6 – EXPENDITURES BY SITE

Expenditures by site for the year ended June 30, 2018 were as follows:

Project	Amount
Newark Memorial High	\$ 1,992,251
Facilities Management Services	814,825
Lincoln Elementary	277,883
Schilling Elementary	185,337
Snow Elementary	167,698
Kennedy Elementary	155,968
Birch Grove Intermediate	155,558
Maintenance, Operations, and Transportation	58,427
Districtwide	37,890
Musick Elementary	27,985
Birch Grove Elementary	17,355
Graham Elementary	13,675
Newark Junior High	10,850
Whiteford Special Education Preschool	8,937
Technology Services	340
	\$ 3,924,979

NOTE 7 – CONSTRUCTION COMMITMENTS

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of \$578,673.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board Members and
Measure G Citizens' Bond Oversight Committee
Newark Unified School District
Newark, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure G Bond Building Fund, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Measure G Bond Building Fund's basic financial statements, and have issued our report thereon dated February 12, 2019.

Internal Control over Financial Reporting

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

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

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State Board of Accountancy*

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure G Bond Building Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
February 12, 2019

REPORT ON PERFORMANCE

Measure G Citizens' Bond Oversight Committee and
Governing Board Members of the
Newark Unified School District
Newark, California

Report on Performance

We have audited Newark Unified School District's compliance with the performance audit procedures described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on Newark Unified School District's Measure G Bond Building Fund for the year ended June 30, 2018, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to local school construction bonds.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Newark Unified School District's Measure G Bond Building Fund based on our performance audit of the types of compliance requirements referred to above. We conducted our performance audit in accordance with generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about Newark Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our performance audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Newark Unified School District's compliance with those requirements.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Opinion on Performance

In our opinion, Newark Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the Measure G Bond Building Fund noted below for the year ended June 30, 2018.

Procedures Performed

In connection with the performance audit referred to above, we selected and tested transactions and records to determine Newark Unified School District's compliance with the state laws and regulations applicable to the Financial Audit Procedures and Performance Audit Procedures over the Measure G Bond Building Fund. Additional agreed upon procedures relating the Measure G Bond Building Fund may also be included.

The results of the procedures performed and the related results are further described in the accompanying performance audit results following this Report on Performance.

Christy White Associates

San Diego, California
February 12, 2019

**NEWARK UNIFIED SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – FINANCIAL AUDIT PROCEDURES AND RESULTS

Financial Statements

As mentioned in the Report on Financial Statements, we have issued an unmodified opinion over the financial statements of the Measure G Bond Building Fund as of and for the year ended June 30, 2018.

Internal Control Evaluation

We tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS

Facility Project Expenditures

We selected a representative sample of expenditures charged to the Measure G Bond Building Fund and reviewed supporting documentation to ensure funds were properly expended on specific project(s) listed in the text of the Measure G ballot.

We tested approximately \$1.48 million of non-personnel expenditures or 38% of total 2017-18 Measure G Bond Building Fund expenditures for validity, allowability and accuracy and concluded that the sampled expenditures were in compliance with the terms of Measure G ballot language, the District approved facilities plan, and applicable state laws and regulations.

Personnel Expenditures

We reviewed salaries and benefits charged to the Measure G Bond Building Fund to verify that the personnel expenditures were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General, which concluded that “a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

We reviewed a listing of all employees charged to the Measure G Bond Building Fund and found that all employees held positions applicable to the local school construction bond. Further, we analytically reviewed personnel expenditures in comparison to prior years and noted no unusual variances. Based on our testing, salary transactions were not used for general administration operations. Personnel costs charged to the Measure G Bond Building Fund appeared allowable.

**NEWARK UNIFIED SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Facilities Site Walk

We verified that funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects by review of supporting documentation as previously noted under Facility Project Expenditures but also through performance of a facilities site walk.

A facilities site walk was performed with Susan Condon, NUSD MOT Supervisor, on January 29, 2019 at Newark Memorial High School. We toured the school site and physically observed the construction progress of HVAC installation, new painted facilities, and the new roofing on eight buildings. The auditor inquired about projects performed, any significant issues, and examined the physical sites by viewing the various work performed or completed for the year ended June 30, 2018. Based on our site walk, the projects at Newark Unified School District appear to be advancing and funds appear expended for authorized bond projects.

Contract and Bid Procedures

We reviewed a listing of contracts awarded during the fiscal year ended June 30, 2018 and selected a sample to ensure that contracts for public projects followed appropriate bidding procedures per applicable Public Contract Code. Additionally, we reviewed overall expenditures by vendor in order to determine if multiple projects under the applicable bidding threshold were identified to suggest any possible bid-splitting.

From a sample of one (1) of four (4) contracts awarded during the year, we noted that applicable bidding procedures were followed and that contracts were appropriately awarded to the lowest responsible bidder for the Districtwide Audio/Visual Project.

Based on our review of overall expenditures and projects by vendor, no instances or possible indications of bid-splitting were identified. The District appears to be properly reviewing projects and applying appropriate procedures over contract and bidding procedures.

**NEWARK UNIFIED SCHOOL DISTRICT
MEASURE G BOND BUILDING FUND
AUDIT PROCEDURES AND RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – PERFORMANCE AUDIT PROCEDURES AND RESULTS (continued)

Contracts and Change Orders

We reviewed a listing of contracts and change orders during the fiscal year ended June 30, 2018 and selected a sample to ensure that change orders were properly approved and in accordance with District policies. Additionally, change orders for any given contract were reviewed to ensure that each individual change order did not exceed ten percent of the total original contract.

We reviewed two change orders for HVAC Upgrades and Roof Replacement. We verified that the total aggregate amount of the change orders exceeded ten percent of the total original contract due to an increase of the scope of the project as well as unforeseen setbacks. We verified no single change order exceeded the 10% original contract amount. Change orders appear to be properly reviewed and approved by management and the governing board in accordance with District policy.

Citizens' Bond Oversight Committee (CBOC)

In accordance with Assembly Bill (AB) 1908 and Education Code (Ed Code) Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds to include one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers' association, parent/guardian of a child enrolled in the District and a parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. Additionally, no employee or official of the District shall be appointed to the citizens' oversight committee.

We found that the District has made attempts to compile a CBOC with all required representatives but has not yet been successful in recruiting an active member of a business organization and a taxpayers' organization. The District appears to have been making ongoing efforts to fill the vacancies and has exercised due diligence with regard to the requirements of AB 1908 and Ed Code 15278. Refer to the Introduction and CBOC Member Listing for current members and the noted vacancies as of June 30, 2018.

The previous Report on Performance is an integral part of the above performance audit results.

FINDINGS AND RESPONSES SECTION

**MEASURE G BOND BUILDING FUND
 NEWARK UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 FOR THE YEAR ENDED June 30, 2018**

PART I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS	<u>Unmodified</u>
Type of auditors’ report issued	
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to the financial statements?	<u>No</u>
 PERFORMANCE AUDIT	
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditor’s report issued on performance for local school construction bonds:	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements in 2017-18.

PART III – PERFORMANCE AUDIT FINDINGS

There were no findings or recommendations related to local school construction bonds in 2017-18.

PART IV – PRIOR AUDIT FINDINGS

There were no findings and recommendations during the year ended June 30, 2017.