

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

**FINANCIAL AND PERFORMANCE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

San Diego

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Bay Area**

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**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBERS LISTING
JUNE 30, 2016**

Newark Unified School District was established in 1964. The District operates eight elementary schools (Grades K-6), one middle school (grades 7-8), one high school (grades 9-12), one independent study school, one continuation school, and one adult education center.

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 in Fund 21 of the District's general ledger.

Measure G was a Proposition 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' 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, 2016, the Citizens' Oversight Committee was comprised of the following members*:

Cindy Parks, Chairperson, *At-Large Community Member*
Jack Dane, Vice-Chairperson, *Senior Organization Representative*
Cary Knoop, Secretary, *Parent active in Parent-Teacher Organization or School Site Council*
Adam Modzeleski, *At-Large Community Member*
Betty Williams, *At-Large Community Member*
Marek Yarbrough, *Parent or Guardian of Child Enrolled in District*

**As of February 6, 2017, Newark Unified School District is actively looking to fill the following vacancies: Business Representative and Taxpayer Organization Member*

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G General Obligation Bond Building Fund of Newark Unified School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Measure G General Obligation 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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Auditor's Responsibility (continued)

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 General Obligation 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 General Obligation Bond Building Fund as of June 30, 2016, 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 6, 2017, on our consideration of the Measure G General Obligation 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 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 General Obligation 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 6, 2017, on our consideration of the Measure G General Obligation Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure G General Obligation Bond Building Fund for the fiscal year ended June 30, 2016, should be considered in assessing the results of our financial audit.



San Diego, California
February 6, 2017

FINANCIAL SECTION

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2016**

ASSETS

Cash in county treasury	\$	13,592,541
Accounts receivable		12,259
Due from other funds		6,665
Total Assets	\$	<u>13,611,465</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	3,513,910
Total Liabilities		<u>3,513,910</u>

FUND BALANCE

Restricted for Measure G Projects		<u>10,097,555</u>
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Total Liabilities and Fund Balance	\$	<u>13,611,465</u>
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The accompanying notes are an integral part of these financial statements.

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

REVENUES	
Local Revenues - Interest	\$ 71,512
Total Revenues	<u>71,512</u>
EXPENDITURES	
Plant services	97,687
Facilities acquisition and construction	14,736,938
Total Expenditures	<u>14,834,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,763,113)</u>
Net Change in Fund Balance	(14,763,113)
Fund Balance, July 1, 2015	<u>24,860,668</u>
Fund Balance, June 30, 2016	<u>\$ 10,097,555</u>

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

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 K – 12 in an area in 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’ 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’ oversight committee.

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

MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity

The statements presented are for the individual Measure G General Obligation Bond Building Fund of the District, consisting of the net construction proceeds of Measure G Series A and Series B 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 GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the Measure G General Obligation 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 General Obligation 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 GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2016 consist of \$13,592,541 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 GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 \$13,628,940 and an amortized book value of \$13,592,541. The weighted average maturity for this pool as of June 30, 2016 is 376 days.

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
 NEWARK UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS, continued
 JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 13,628,940
Total fair market value of investments	\$ 13,628,940

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable balance as of June 30, 2016 consisted of \$12,259 from interest on investments.

NOTE 4 – INTERFUND ACTIVITY

Interfund activity for the year ended June 30, 2016 consisted of \$6,665 due from the Special Reserve Fund for Capital Outlay Projects Fund to Measure G Bond Building Fund to correct expenditures incorrectly charged.

NOTE 5 – MEASURE G GENERAL OBLIGATION BONDS

On July 31, 2012, the District issued Election of 2008 General Obligation Bonds, Series A in the aggregate principal amount of \$15,000,000 for the purpose of refunding renovating, repairing, contracting, and equipping certain District schools, sites, and facilities. The bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the Alameda County are obligated to levy and collect on all taxable property in the District for the payment of the accreted value or conversion value of and interest on the bonds. The bonds carry interest rates ranging from 3.375% to 5.0% and mature on February 1, 2043.

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 are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the Alameda County are obligated to levy and collect on all taxable property in the District for the payment of the accreted value or conversion value of and interest on the bonds. The bonds carry interest rates ranging from 2.0% to 5.0% and mature on August 1, 2044.

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 5 – MEASURE G GENERAL OBLIGATION BONDS (continued)

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 2011 Series bonds at June 30, 2016, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Bonds			Bonds
				Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
2011 Series A	7/31/2012	2/1/2043	3.375% - 5.000%	\$ 11,625,000	\$ -	\$ 445,000	\$ 11,180,000
2011 Series B	6/19/2014	8/1/2044	2.000% - 5.000%	30,000,000	-	1,400,000	\$ 28,600,000
				<u>\$ 41,625,000</u>	<u>\$ -</u>	<u>\$ 1,845,000</u>	<u>\$ 39,780,000</u>

The 2011 Series A general obligation bonds outstanding at June 30, 2016, were as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 505,000	\$ 439,525	\$ 944,525
2018	-	426,900	426,900
2019	-	426,900	426,900
2020	-	426,900	426,900
2021	-	426,900	426,900
2022 - 2026	465,000	2,093,156	2,558,156
2027 - 2031	1,365,000	1,866,509	3,231,509
2032 - 2036	2,505,000	1,502,778	4,007,778
2037 - 2041	4,115,000	866,963	4,981,963
2042 - 2043	2,225,000	88,856	2,313,856
Total	<u>\$ 11,180,000</u>	<u>\$ 8,565,387</u>	<u>\$ 19,745,387</u>

The 2011 Series B general obligation bonds outstanding at June 30, 2016, were as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 615,000	\$ 1,377,200	\$ 1,992,200
2018	200,000	1,369,050	1,569,050
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 - 2026	1,000,000	6,621,250	7,621,250
2027 - 2031	2,280,000	6,300,200	8,580,200
2032 - 2036	4,750,000	5,438,000	10,188,000
2037 - 2041	8,055,000	3,858,875	11,913,875
2042 - 2045	11,100,000	1,235,750	12,335,750
Total	<u>\$ 28,600,000</u>	<u>\$ 30,270,475</u>	<u>\$ 58,870,475</u>

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 6 – EXPENDITURES BY SITE

Expenditures by site for the year ended June 30, 2016, were as follows:

<u>Project</u>	<u>Amount</u>
Bunker Elementary	\$ 1,311,952
Graham Elementary	428,341
Kennedy Elementary	1,272,333
Lincoln Elementary	701,536
Milani Elementary	1,057,631
Musick Elementary	839,014
Schilling Elementary	1,454,551
Snow Elementary	72,738
Newark Junior High School	2,738,479
Newark Memorial High School	2,555,870
Macgregor	907,317
Whiteford	476,877
Technology Services	7,324
MOT	29,225
Facilities Management Services	957,809
District Wide	23,628
	<u>\$ 14,834,625</u>

NOTE 7 – CONSTRUCTION COMMITMENTS

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of \$13,627,373.

NOTE 8 – SUBSEQUENT EVENT

On July 13, 2016, the District issued Election of 2011, Series C General Obligation Bonds 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 accrue interest between 2% and 4% per annum from the date of the issuance and are payable semi-annually on February 1 and August 1 of each year through August 2036.

**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 Ash, CPA

Heather Rubio

Governing Board Members and
Measure G Citizens' 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 General Obligation Bond Building Fund, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Measure G General Obligation Bond Building Fund's basic financial statements, and have issued our report thereon dated February 6, 2017.

Internal Control over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 6, 2017

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G General Obligation Bond Building Fund, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Measure G General Obligation 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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State Board of Accountancy*

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

Objectives

In connection with our audit, we also performed an audit of compliance as required in the performance requirements for the Measure G General Obligation Bond Building Fund for the fiscal year ended June 30, 2016. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure G Bonds were only used for the purposes set forth in the Measure G ballot language and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, evaluated the remodeling, new construction and renovations of items which will improve learning and to accommodate growth in the District, with no funds expended on administrator salaries.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure G projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure G funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2015-16 financial statement balances for the Measure G General Obligation Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our audit tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unmodified opinion was expressed on the financial statements.

Facilities Site Walk

Procedures Performed:

The auditor performed a site walk with Vince Belloni, Director of MOT, and John R. Watkins, Senior Construction Manager of Vanir Construction, on January 30, 2017. We performed a site walk of Kennedy Elementary School, Newark Junior High School, and Newark Memorial High School. 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, 2016. The contractor for these projects primarily was F&H Construction and DecoTech System.

Kennedy Elementary School

The auditor visited Kennedy Elementary School and viewed completed Asphalt Playground project and the upgraded HVAC system.

Newark Junior High School

The auditor visited Newark junior High School and viewed the completed roofing project, upgraded HVAC System and new clock/PA system.

Newark Memorial High School

The auditor visited Newark Memorial High School and viewed the roofing project. The auditor noted part of the roofing project was completed in 2015-16, and the rest of the roofing project is construction in progress and is expected to be completed in summer 2017.

Results of Procedures Performed:

Results of the site walk indicate that the major 2015-16 Measure G projects at Kennedy Elementary School, Newark Junior High School, and Newark Memorial High School were successfully completed and closed out, or advanced into 2016-17 construction phases when applicable.

Test of Expenditures

Procedures Performed:

We tested expenditures to determine whether Measure G funds were spent solely on voter and Board approved school facilities projects (as set forth in the District's Facilities Master Plan and the Measure G ballot measure language). The expenditure test included a sample of 23 payments totaling \$6,974,197, and payroll related expenditures totaling \$14,262. The total amount of expenditure tested was \$6,988,459 or approximately 47% of the total Measure G expenditures for the year ended June 30, 2016.

Results of Procedures Performed:

We found all expenditures tested to be in compliance with the terms of the Measure G Bond ballot measure and applicable state laws and regulations, without exception. Furthermore, it appeared that the District's site expenditures were competitive in price with similar expenditure size and scope to other school construction bond programs included in our benchmarking.

Test of Contracts and Bid Procedures

Procedures Performed:

For the fiscal year ended June 30, 2016, there were 2 contracts that went to bid. Out of the 2 contracts, we selected the HVAC upgrades and roof replacement project, and verified that the contracts went through the District's proper bidding procedures. We also examined a sample of change orders to test that they went through the proper approval process and were appropriate use of change orders.

Results of Procedures Performed:

Both contracts selected appear to have followed the District's proper bidding procedures and followed appropriate public contract code. Of the change orders related to these projects, change orders appeared appropriate, obtained proper approval, and appeared to indicate proper use of change orders.

Citizens' Oversight Committee

Procedures Performed:

In accordance with AB 1908 (Assembly Bill) and Ed Code Section 15278, the District is required to establish a bond oversight committee for Proposition 39 bonds including one active member from each of the following sectors: a business organization, senior citizens organization, bona fide taxpayers association, and one parent/guardian of a child enrolled in the District and one parent/guardian of a child enrolled in the District who is also a member of a parent teacher association. The COC is to meet pursuant to Education Code Section 15280.

Results of Procedures Performed:

In our review of the minutes of the Citizens' Oversight Committee for Measure G, we found that there was adequate documentation of meetings held during fiscal year 2015-16. The District is actively seeking a business representative and taxpayer organization member to join the committee.

Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

Opinion

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measure G General Obligation Bond Building Fund as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
February 6, 2017

FINDINGS AND RESPONSES SECTION

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Our tests resulted in no findings and recommendations related to the financial and performance audit of the Measure G General Obligation Bond Building Fund for the fiscal year ended June 30, 2016.

**MEASURE G GENERAL OBLIGATION BOND BUILDING FUND
NEWARK UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

There were no findings related to the financial and performance audit of the Measure G General Obligation Bond Building Fund for the fiscal year ended June 30, 2015.