

NEWARK UNIFIED SCHOOL DISTRICT
Newark, California

MEASURE G GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2014

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
BACKGROUND:	
LEGISLATIVE HISTORY	2
NEWARK UNIFIED SCHOOL DISTRICT MEASURE G GENERAL OBLIGATION BONDS	2
PERFORMANCE AUDIT:	
OBJECTIVES	3
SCOPE	3
METHODOLOGY	3
CONCLUSION	3

INDEPENDENT AUDITOR'S REPORT

Board of Education and Independent Citizens' Bond
Oversight Committee for Measure G
Newark Unified School District
Newark, California

We have conducted a performance audit of the Newark Unified School District Measure G General Obligation Bond funds for the year ended June 30, 2014.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure G General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Newark Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Newark Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Newark Unified School District expended Measure G General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.



Crowe Horwath LLP

Sacramento, California
December 12, 2014

NEWARK UNIFIED SCHOOL DISTRICT
MEASURE G GENERAL OBLIGATION BONDS

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

NEWARK UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, MEASURE G

The Newark Unified School District, Alameda County, California Election of 2011 General Obligation Bonds, Measure G were authorized at an election of the registered voters of the Newark Unified School District held on November 8, 2011 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$63,000,000 principal amount 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 obligations of the District, payable solely from *ad valorem* property taxes. The summarized text of the ballot language 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?"

The financial activity related to the Measure G General Obligation Bonds is recorded in the Fund 21 (Building Fund) in the District's audited financial statements.

On July 7, 2012, the District issued Election of 2011, Series A General Obligation Bonds, totaling \$15,000,000. Bond proceeds are being spent to construct, repair and expand local schools. The bonds are classified as Current Interest Bonds, bear interest at rates ranging from 3.37% to 5.0% and are scheduled to mature through February 2043.

On June 19, 2014, the District issued Election of 2011, Series B General Obligation Bonds, totaling \$30,000,000. Bond proceeds are being spent to construct, repair and expand local schools. The bonds are classified as Current Interest Bonds, bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 2044.

NEWARK UNIFIED SCHOOL DISTRICT
MEASURE G GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure G General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Education, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure G General Obligation Bond project expenditures for the year ended June 30, 2014 (the "List"). A total of approximately 328 expenditures totaling \$6,267,288 for the year ended June 30, 2014 were identified.

METHODOLOGY

We performed the following procedures to the List of Measure G General Obligation Bond project expenditures for the year ended June 30, 2014:

- Interviewed District management related to controls over expenditure of Bond Funds.
- Documented District procedures and controls over expenditure of Bond Funds.
- Tested District procedures to determine that the District controls over expenditure of Bond Funds are working as documented.
- Verified the mathematical accuracy of the List.
- Reconciled the List of Bond expenditures to total expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2014, presented as the Building Fund.
- Selected a sample of 25 expenditures totaling \$2,536,696. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 40.5% of the total expenditure value. Verified that the expenditures were for approved projects developed by the District's Board of Education.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Newark Unified School District expended Measure G General Obligation Bond funds for the year ended June 30, 2014 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.