NEWARK UNIFIED SCHOOL DISTRICT

MEASURE G GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

June 30, 2024

NEWARK UNIFIED SCHOOL DISTRICT
Newark, California

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Education
Newark Unified School District
Newark, California

We have conducted a performance audit of the Newark Unified School District (the "District") Measure G General Obligation Bond funds for the year ended June 30, 2024.

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 4 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 XIIIA 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 the audit procedures that are appropriate for the purpose of providing a conclusion on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal controls.

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, 2024 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution.

Crowe LLP

Crowe LLP

Sacramento, California
March 5, 2025

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, "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.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

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 55 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 acquisition, construction and modernization of certain District property and 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."*

On March July 31, 2012, the District issued 2012 General Obligation Bonds, Election of 2011 Series "A" totaling $15,000,000. Repayment of the Bonds were to be made from the special parcel tax revenues levied in connection with the bond issue. The Bonds were to bear interest at rates ranging from 3.375% to 5.0% and are scheduled to mature through 2032. The Series A Bonds were partially refunded in December 2012 with the issuance of 2012 General Obligation Refunding Bonds. The Series A Bonds were partially refunded in February 2022 with the issuance of 2022 General Obligation Refunding Bonds Series A, and in May 2022 with 2022 General Obligation Refunding Bonds Series B.

NEWARK UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, MEASURE G (Continued)

On June 19, 2014, the District issued 2014 General Obligation Bonds, Election of 2011 Series "B" totaling $30,000,000. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through 2030. The Series B Bonds were partially refunded in February 2022 with the issuance of 2022 General Obligation Refunding Bonds Series A, and in May 2022 with 2022 General Obligation Refunding Bonds Series B.

On July 13 2016, the District issued 2016 General Obligation Bonds, Election 2011 Series "C" totaling $18,000,000. Repayment of the Bonds is made from the special parcel tax revenues levied in connection with this bond issue. The Bonds bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through 2037. The Series C Bonds were partially refunded in February 2022 with the issuance of 2022 General Obligation Refunding Bonds Series A, and in May 2022 with 2022 General Obligation Refunding Bonds Series B.

The financial activity related to the Measure G General Obligation Bonds is recorded in Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2024.

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, 2024 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, 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, 2024 (the "List"). A total of $14,380 in expenditures from July 1, 2023 through June 30, 2024 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, 2024:

- Verified the mathematical accuracy of the expenditures list.
- Vouched the List to total bond expenditures as reported by the District in the District's audited Measure G General Obligation Bonds financial statements for the year ended June 30, 2024.
- Selected a sample of 4 non-payroll expenditures totaling $12,464 and 1 payroll expenditure totaling $466 from Measure G expenditures. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented approximately 90% of the total expenditure value. Verified that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.

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, 2024 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution.