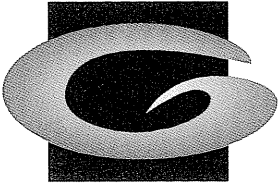


NATOMAS UNIFIED SCHOOL DISTRICT
AGREED-UPON PROCEDURES
MEASURE M GENERAL OBLIGATION BONDS
JUNE 30, 2005



Gilbert Associates, Inc.
CPAs and Advisors

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Natomas Unified School District and
Measure M Citizens' Bond Oversight Committee
1901 Arena Boulevard
Sacramento, California 95834

We have performed the procedures enumerated below, which were agreed to by Natomas Unified School District (District) and Measure M Citizens' Bond Oversight Committee (the specified parties, collectively), solely to assist the District in documenting its compliance with the regulations of article XIII A, Section 1(b) (3) of the California Constitution for the twelve month period ending June 30, 2005. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. As directed by the specified parties, we generated a random sample of project costs identified by the District. (Sample size the lesser of 40% of expenditures or 40 transactions incurred during the fiscal year ended June 30, 2005).
2. For the selected expenditures we performed the following:
 - a. Agreed expenditures to supporting documentation including requisitions, invoices, purchase orders and construction contracts. No exceptions were found as a result of applying this procedure.
 - b. Verified that expenditures were in compliance with the regulation of the article XIII A, Section 1 (b)(3) of the California Constitution and construction projects outlined by Measure M. No exceptions were found as a result of applying this procedure.
 - c. Verified that expenditures were not used for teacher and administrator salaries or other school operating expenses. No exceptions were found as a result of applying this procedure.
3. Obtained an understanding of the system used by the District for monitoring project expenditures and reviewed expenditures for appropriate compliance with the system. No exceptions were found as a result of applying this procedure.

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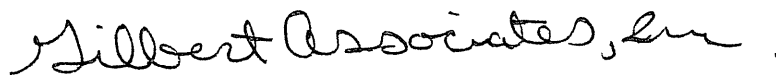
<http://www.gilbertcpa.com>

**Natomas Unified School District and
Measure M Citizens' Bond Oversight Committee
Page 2**

4. Updated Background Information with District staff for the fiscal year ended June 30, 2005. See Attachment I for this listing.
5. Prepared a Measure M Schedule of Revenues, Expenditures, and Changes in Fund Balance for the fiscal year ended June 30 2005 and for the period from July 1, 2002 through June 30, 2005. See Attachment II for this schedule.
6. Prepared a schedule of Expenditures by Project and Bond Funds available for the fiscal year ended June 30, 2005 and for the period from July 1, 2002 through June 30, 2005. See attachment III for this schedule.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Districts compliance with the regulations of article XIII A, Section 1 (b)(3) of the California Constitution. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Natomas Unified School District and Measure M Citizen's Bond Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.



GILBERT ASSOCIATES, INC.
February 8, 2006

NATOMAS UNIFIED SCHOOL DISTRICT BACKGROUND INFORMATION

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 rental property for school facilities”, upon approval by 55% of the electorate.

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS

On November 5, 2002, the electorate of the Natomas Unified School District approved the \$45.88 million Measure M general obligation bonds with greater than 55% of the votes in favor. The text of the ballot language was as follows:

In order to enable the Natomas Unified School District to continue providing exceptional educational opportunities, shall the District issue \$45.88 million in bonds, at interest rates within legal limits, to acquire, construct, modernize, repair, replace and equip its school facilities to meet safety and instructional needs, accommodate future growth, and create additional space for student class size reduction, additional educational programs and other needs, subject to oversight by an independent citizens’ committee as legally required?

The project list identified in the ballot language was specified in greater detail by the Natomas Unified School District Board of Education at its December 19, 2002 meeting. This specific project list is provided below:

American Lakes Elementary School

The District plans to undertake the following specific capital improvements projects at the American Lakes Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer lab equipment and related infrastructure
- Make roof drainage improvements
- Repair, renovate and modernize existing school facilities
- Construct new library

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(CONTINUED)**

Bannon Creek Elementary School

The District plans to undertake the following specific capital improvements projects at the Bannon Creek Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Expand existing parking lot
- Acquire and install wireless computer lab equipment and related infrastructure
- Construct improvements to provide additional cafeteria storage
- Renovate and modernize kindergarten playground and structures

Jefferson Elementary School

The District plans to undertake the following specific capital improvements projects at the Jefferson Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer equipment and related infrastructures
- Construct improvements to provide additional cafeteria storage
- Renovate and modernize kindergarten playground and structures

Natomas Park Elementary School

The District plans to undertake the following specific capital improvements projects at the Natomas Park Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer equipment and related infrastructures

Witter Ranch Elementary School

The District plans to undertake the following specific capital improvements projects at the Witter Ranch Elementary School Campus:

- Acquire, construct and install new shade structures for student safety

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(CONTINUED)**

Two Rivers Elementary School

The District plans to undertake the following specific capital improvements projects at the Two Rivers Elementary School Campus:

- Acquire, construct and install new shade structures for student safety

- Acquire and install wireless computer equipment and related infrastructures

Elementary School Sites in Northborough, Natomas Crossing, and West Lake Areas

The District plans to undertake the following specific capital acquisition and construction projects:

- Acquisition of site for construction of elementary school to accommodate future growth
- Construction of new elementary school facilities as required to supplement local and State funding sources

Future Elementary School Sites 10, 11 & 12

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of site for construction of elementary school to accommodate future growth

Natomas Middle School

The District plans to undertake the following specific capital acquisition and construction projects at the Natomas Middle School Campus:

- Acquire and install wireless computer lab equipment and related infrastructure
- Purchase school site and facilities constituting the existing middle school, which are currently being leased

Leroy Greene Middle School

The District plans to undertake the following specific capital acquisition and construction projects at the Leroy Green Middle School Campus:

- Acquire and install wireless computer lab equipment and related infrastructure

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(CONTINUED)**

Middle School in North Point Area

The District plans to undertake the following specific capital acquisition and construction projects:

- Acquire and install wireless computer lab equipment and related infrastructure
- Construction of new middle school as required to supplement local and State funding sources

Future Middle School No. 4

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of site for construction of elementary school to accommodate future growth

Natomas High School

The District plans to undertake the following specific capital improvements projects at the Natomas High School Campus:

- Building swimming pool complex and related facilities including: pool, pump and filtration system with structure, locker rooms, showers, bleachers, diving boards, life guard chairs and necessary equipment

Discovery High School

The District plans to undertake the following specific capital improvements projects at the Natomas High School Campus:

- Construct Rosin Sewer Extension as required by City of Sacramento
- Paint exterior of high school

Future Second High School

The District plans to undertake the following specific capital acquisition projects:

- Construction of new high school as required to supplement local and State funding sources

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(CONTINUED)**

Future High School No. 3

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of site for construction of third high school to accommodate future growth, to the extent full cost is not provided in real estate trade with Los Rios Community College District

Natomas Charter School

The District plans to undertake the following specific capital improvement projects at the Natomas Charter School Campus:

- Construct new theater facility

District-Wide Improvements

The District plans to undertake the following specific capital acquisitions and improvements projects:

- Purchase and install solar tubes to provide lighting for portable buildings
- Purchase and install security television cameras to provide greater campus safety
- Purchase and install central freezer for the district-wide cafeteria program
- Construct a central kitchen for the district-wide cafeteria program
- Acquire new buses and other District vehicles to accommodate student growth

The above listing does not suggest any particular priority for construction amongst the proposed projects.

All bond expenditures are subject to review by a Citizens Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

**For the Fiscal Year Ended June 30, 2005
and for the Period from July 1, 2002 Through June 30, 2005**

	Fiscal Year Ended <u>June 30, 2005</u>	July 1, 2002 Through <u>June 30, 2005</u>
Revenues:		
Proceeds from issuance of Bonds	\$ 30,584,687	\$ 45,879,687
Interest and investment income	545,218	909,396
Interfund transfers	996	8,849
	<hr/>	<hr/>
Total Revenues	31,130,901	46,797,932
	<hr/>	<hr/>
Expenses:		
Classified salaries		458
Employee benefits		45
Equipment and supplies	54,885	878,001
Contract services	2,530	565,820
Fiscal agent fees and bond issuance costs	245,630	388,761
Capital outlay	28,308,357	35,141,076
Debt service interest	52,845	149,318
	<hr/>	<hr/>
Total Expenses	28,664,247	37,123,479
	<hr/>	<hr/>
Net Activity	2,466,654	9,674,453
	<hr/>	<hr/>
Fund Balance:		
Beginning of period	7,207,799	<hr/>
	<hr/>	<hr/>
End of period	\$ 9,674,453	\$ 9,674,453
	<hr/> <hr/>	<hr/> <hr/>

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS**

**SCHEDULE OF EXPENDITURES BY PROJECT
AND BOND FUNDS AVAILABLE**

**For the Fiscal Year Ended June 30, 2005
and for the Period from July 1, 2002 Through June 30, 2005**

	Fiscal Year Ended <u>June 30, 2005</u>	July 1, 2002 Through <u>June 30, 2005</u>
Revenues:		
Proceeds from issuance of Bonds	\$ 30,584,687	\$ 45,879,687
Interest and investment income	545,218	909,396
Interfund transfers	996	8,849
	<hr/>	<hr/>
Total Revenues	31,130,901	46,797,932
Expenses:		
Debt service interest	52,845	149,318
Fiscal agent fees and bond issuance costs	245,630	388,761
<u>American lakes Elementary School</u>		
Repairs and renovations	3,304,165	3,583,040
Library	1,199,820	1,309,956
Wireless lab		131,754
	<hr/>	<hr/>
	4,503,985	5,024,750
<u>Bannon Creek Elementary School</u>		
Parking lot		204,696
Playground	1,563	162,397
Kitchen	249,333	323,522
Wireless lab		133,282
	<hr/>	<hr/>
	250,896	823,897
<u>Jefferson Elementary School</u>		
Playground	1,562	161,809
Kitchen	218,899	290,553
Wireless lab		129,175
	<hr/>	<hr/>
	220,461	581,537
<u>Natomas Park Elementary School</u>		
Wireless lab		85,867
<u>Inderkum High School</u>		
Site construction	15,000,000	15,000,000

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS**

**SCHEDULE OF EXPENDITURES BY PROJECT
AND BOND FUNDS AVAILABLE
(Continued)**

**For the Fiscal Year Ended June 30, 2005
and for the Period from July 1, 2002 Through June 30, 2005**

	Fiscal Year Ended <u>June 30, 2005</u>	July 1, 2002 Through <u>June 30, 2005</u>
<u>Northborough II Elementary School</u>		
Site acquisition	1,649,005	5,699,395
<u>Two Rivers Elementary School</u>		
Wireless lab		83,004
<u>Leory Green Middle School</u>		
Wireless lab		145,842
<u>Natomas Middle School</u>		
Wireless lab		162,242
Repairs and renovations	2,866,840	2,866,840
	<u>2,866,840</u>	<u>3,029,082</u>
<u>Natomas High School</u>		
Swimming pool	2,715,057	2,823,290
<u>Natomas Charter School</u>		
Theater		295,816
<u>District-Wide</u>		
Kitchen	1,038,022	2,610,904
Solar tubes		242,504
Surveillance Equipment	121,506	121,506
Wireless lab		18,006
	<u>1,159,528</u>	<u>2,992,920</u>
Total Expenses	<u>28,664,247</u>	<u>37,123,479</u>
Net Activity	<u>2,466,654</u>	<u>9,674,453</u>
Fund Balance:		
Beginning of period	<u>7,207,799</u>	
End of period	<u>\$ 9,674,453</u>	<u>\$ 9,674,453</u>