

**NATOMAS UNIFIED SCHOOL DISTRICT**  
Sacramento, California

**FINANCIAL STATEMENTS**  
June 30, 2014

**NATOMAS UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Natomas Unified School District  
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Natomas Unified School District'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 opinions 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.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Natomas Unified School District, as of June 30, 2014, 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 Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 12 and the General Fund and Charter School Fund Budgetary Comparison Schedules and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 48 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Natomas Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014 on our consideration of Natomas Unified School District'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 Natomas Unified School District's internal control over financial reporting and compliance.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Fiscal Year Ending June 30, 2014**

This annual report consists of three parts – Management’s Discussion & Analysis, Basic Financial Statements and Required Supplementary Information.

The following discussion and analysis provides an overview of the financial position of Natomas Unified School District (the “District”) for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management’s Discussion and Analysis consists of six sections:

- **Overview of the Financial Statements** – Serves as a guide to reading the financial statements provided in the sections following the Management’s Discussion & Analysis.
- **Financial Highlights** – Emphasizes significant actions implemented by the District, as well as significant factors affecting the District.
- **Financial Analysis of the District as a Whole** – Illustrates the District’s current, as well as, long-term assets and liabilities.
- **Financial Analysis of the District’s Funds** – Illustrates and compares the District’s primary activities.
- **Capital Asset and Debt Administration** – Illustrates the District’s investment in capital assets and its level of debt.
- **Economic Factors and Next Year’s Budget** – Illustrates issues that management sees as relevant to the future financial health of the District.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements presented herein include all of the activities of the District using the integrated approach as prescribed in Governmental Accounting Standards (GASB) Statement No. 34. The activities of the District are presented in two kinds of statements:

- The *Government-Wide Financial Statements* present the financial picture of the District and provides both short-term and long-term information about the District’s overall financial status.





- The remaining statements are *Fund Financial Statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-Wide Statements.

The Fund Financial Statements can be further broken down into two types:

- *Governmental funds statements* illustrate how basic services (such as regular and special education) were financed in the short-term, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others to whom the resources belong.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the District, additional non-financial factors (including the condition of the District's school buildings and other facilities) must be considered.

In the government-wide financial statements, the District's activities are reported as governmental activities. Most of the District's services are included here, such as regular education, special education, transportation and administration. Funding received from the State of California through the local control funding formula, along with categorical and special funding received from the federal and state governments finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.



There are two types of funds that the District utilizes:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. This information does not encompass the additional long-term focus of the government-wide statements; therefore additional information at the bottom of the governmental funds statements is provided that explains the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for assets that belong to others such as the scholarship fund and the student activities funds. The district is responsible for ensuring that the assets in these funds are used only for their intended purposes and only by those to whom they belong. All of the District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

### **FINANCIAL HIGHLIGHTS**

- The financial statements present the District’s fiscal activity of expenditures, revenues, assets, liabilities, beginning, and ending fund balances.
- Fiscal year starts in July and ends in June.
- The financial statements reflect the District’s educational policy into sound instructional programs and delivery systems through the prudent allocation of financial resources.
- School finance is a complex and dynamic process that evolves daily. There are many variables, which impact a school district’s finances – including student enrollment, student attendance, inflation, school facilities, state and federal funding, state and national economy.
- As of the California Longitudinal Pupil Achievement Data System (CALPADS) reporting date, October 2013, the District had 9,491 students that attended traditional (non-charter) schools, which is an increase of 322 students from the prior year CBEDS of 9,169.
- The average daily attendance (ADA), which much of the District’s revenue is based, was 8,969. An increase of 205 from 2012-13 ADA count of 8,764.
- The ratio of attendance to CALPADS enrollment was approximately 94.5%.



- The District's General Fund ending cash balance for June 30, 2014 was \$10.8 million.
- During 2013-14 the District utilized flexibility options for various programs under SB X 34 by using the funds for other educational purposes (i.e. swept funds for other educational programs).
- The District's Food Services program had revenues over expenditures at \$512,362.
- The 2013–14 budget package replaces the previous K–12 finance system with a new Local Control Funding Formula (LCFF). The LCFF creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs.
- The District will receive roughly the same amount of funding received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.
- The District's base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3<sup>rd</sup> grades at \$6,952/ADA; Grades 4<sup>th</sup> – 6<sup>th</sup> at \$7,056/ADA; Grades 7<sup>th</sup> - 8<sup>th</sup> grade at \$7,266/ADA; and Grades 9<sup>th</sup> – 12<sup>th</sup> at \$8,419/ADA.
- The supplemental grant under LCFF is for our targeted disadvantaged students. Targeted students are those classified as English Learners (EL), eligible to receive free or reduced-price meals (FRPM), foster youth, or any combination of these factors (unduplicated count).
- The District's unduplicated pupil percentage is 63.18%.
- The budget maintains Home-to-School Transportation funding as an add-on to the LCFF. The District is maintaining the 2012–13 expenditure levels on transportation out of funds received for this purpose.
- The district incurred expenditures from the District's Special Revenue/Reserve Funds (non-general/charter funds) for the following major capital projects:
  - ✓ Natomas Gateways Middle School - \$685,000
  - ✓ Computer Support Infrastructure - \$520,000
  - ✓ Safe Routes to Schools - \$200,000
  - ✓ Inderkum High Science Laboratories - \$580,000



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A review of the District as a whole can best be seen in the strength of the District’s net position and subsequent changes in net position.

The computation of the Districts net position is presented by category in the table below:

**Table 1 - Net Position**

<b>Assets</b>	<b>Government-Wide Statement of Net Position</b>			<b>Change</b>
	<b>June 30, 2014</b>	<b>June 30, 2013</b>		
Current and other assets	\$ 75,170,742	\$ 69,504,189	\$ 5,666,553	
Capital assets, net of depreciation	389,993,256	393,985,596	(3,992,340)	
<b>Total Assets</b>	<b>465,163,998</b>	<b>463,489,785</b>	<b>\$ 1,674,213</b>	<b>0%</b>
<b>Deferred Outflows</b>				
Deferred loss from refunding of debt	724,834	-	\$ 724,834	
<b>Total Deferred Outflows</b>	<b>724,834</b>	<b>-</b>	<b>724,834</b>	
<b>Liabilities</b>				
Current liabilities	15,182,180	14,222,611	\$ 959,569	
Long-term obligations	192,974,411	189,578,012	3,396,399	
<b>Total Liabilities</b>	<b>208,156,591</b>	<b>203,800,623</b>	<b>4,355,968</b>	<b>2%</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	215,530,122	216,434,569	\$ (904,447)	
Restricted	37,482,731	36,587,386	895,345	
Unrestricted	4,719,388	6,667,207	(1,947,819)	
<b>Total Net Position</b>	<b>\$ 257,732,241</b>	<b>\$ 259,689,162</b>	<b>\$ (1,956,921)</b>	<b>-1%</b>

Total Government Wide Net Position decreased by approximately \$2 Million during the 2013/14 fiscal year. The main cause for the decrease in Net Position was due to lower Accounts Payable within Fund 25 (Capital Facilities Fund) and Fund 35 (County School Facilities Fund) relating to the completion of Natomas Gateways Middle School project, portables and temporary classroom projects.

It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Most of the District’s school sites have low values for today’s market because the District acquired the land decades ago. This valuation of land is consistent with accounting rules set forth under GASB.

Although the land and buildings owned by the District contribute to its net position, they are not available as assets that could be liquidated due to the nature of the District’s operations.



## Change in Net Position

The District’s total revenues increased slightly, to approximately \$118 Million. General revenues accounted for most of the District’s revenue, contributing approximately 84% of every dollar raised. The remainder came from fees charged for services and operating grants and contributions.

The total cost of all programs and services increased approximately 8% to \$120 Million, of which 78% of the expenses are primarily related to educating and caring for students. Administrative activities of the District represent 5% of total expenses.

A summary of total District revenues, expenses, and changes in net position is presented in the table below:

**Table 2 – Change in Net Position**

Revenues	Government-Wide Statement of Activities			
	June 30, 2014	June 30, 2013	Change	
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 947,235	\$ 978,938	\$ (31,703)	
Operating grants and contributions	18,127,542	17,325,435	802,107	
Capital grants and contributions	232	600,759	(600,527)	
General revenues:				
Taxes levied for general purposes	16,085,780	14,891,793	1,193,987	
Taxes levied for debt service	13,387,974	13,713,598	(325,624)	
Taxes levied for other specific purposes	1,866	1,605	261	
Unrestricted federal and state aid	67,763,819	60,462,235	7,301,584	
Interest and investment earnings	(408)	180,696	(181,104)	
Interagency revenues	280,529	1,188,528	(907,999)	
Other general revenue	1,627,852	606,937	1,020,915	
<b>Total Revenues</b>	<b>\$ 118,222,421</b>	<b>\$ 109,950,524</b>	<b>\$ 8,271,897</b>	<b>7%</b>
<b>Expenses</b>				
Instruction-related	\$ 83,716,611	\$ 76,314,415	\$ 7,402,196	
Student support services	9,562,174	8,639,018	923,156	
Administration	6,549,943	5,607,162	942,781	
Maintenance and operations	10,381,635	10,031,219	350,416	
Interest on long-term liabilities	8,849,831	9,613,460	(763,629)	
Other	1,119,148	1,236,668	(117,520)	
<b>Total Expenses</b>	<b>\$ 120,179,342</b>	<b>\$ 111,441,942</b>	<b>\$ 8,737,400</b>	<b>7%</b>
<b>Net Position</b>				
Change in net position	(1,956,921)	(1,491,418)	(465,503)	
Net Position, Beginning of the Year	259,689,162	261,180,580	(1,491,418)	
<b>Net Position, End of the Year</b>	<b>\$ 257,732,241</b>	<b>\$ 259,689,162</b>	<b>\$ (1,956,921)</b>	<b>-1%</b>

As illustrated above, both revenues and expenses increased from prior year, which resulted in a slight decrease of approximately \$2 Million in the net position of the District.



**Governmental Activities**

As reported in the Statement of Activities, the cost of all of our governmental activities was \$120 Million and \$111 Million for June 30, 2014 and 2013, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$29 Million and \$29 Million or June 30, 2014 and 2013, respectively because a portion of the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions.

Table 3 reflects the net cost of each of the District’s largest functions – instruction, student support, administration, maintenance and operations, and other costs. Included in this table are each program’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3 – Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost (Proceeds) of Services	
	2014	2013	2014	2013
Instruction	\$ 71,231,212	\$ 64,306,078	\$ 61,848,288	\$ 56,488,469
Instruction related	12,485,399	12,008,337	10,762,245	10,407,780
Pupil services	9,562,174	8,639,018	4,239,069	3,703,689
Administration	6,549,943	5,607,162	5,423,422	4,980,378
Maintenance and operations	10,381,635	10,031,219	8,961,036	9,888,635
Interest on long-term debt	8,849,831	9,613,460	8,849,831	9,613,460
Other	1,119,148	1,236,668	1,020,442	(2,545,601)
<b>Totals</b>	<b>\$120,179,342</b>	<b>\$111,441,942</b>	<b>\$101,104,333</b>	<b>\$ 92,536,810</b>

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

As the District completed the school year, its funds reported a combined fund balance of \$69.2 Million, which is a net increase of \$5.3 million from the prior year.

**Table 4 – Governmental Funds**

	Balances and Activity		
	July 1, 2013	Net Change	June 30, 2014
General	\$ 18,380,247	\$ (1,586,998)	\$ 16,793,249
Charter Schools Fund	7,745,409	3,805,237	11,550,646
Building Fund	17,749,800	4,979,774	22,729,574
Capital Facilities Fund	7,543,936	(7,543,936)	-
Bond Interest and Redemption Fund	10,043,268	715,071	10,758,339
All Non-Major Funds	2,484,412	4,891,858	7,376,270
<b>Total Governmental Funds</b>	<b>\$ 63,947,072</b>	<b>\$ 5,261,006</b>	<b>\$ 69,208,078</b>



The District’s budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the state approves its final budget. In addition, the District revises its budget at First and Second interim.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets, net of depreciation, decreased approximately \$3.9 Million largely due to the completion of Natomas Gateways Middle School project, portables, temporary classroom projects and accumulated depreciation occurring at a higher rate than acquisitions and improvements.

**Table 5 – Capital Assets at Year-End**

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
Land	\$ 66,639,259	\$ 66,639,259	\$ -
Improvement of Sites	7,057,817	7,226,237	(168,420)
Buildings	299,439,738	305,439,882	(6,000,144)
Equipment	3,242,023	3,667,554	(425,531)
Construction in Progress	13,614,419	11,012,664	2,601,755
<b>Total Capital Assets, net</b>	<b>\$ 389,993,256</b>	<b>\$ 393,985,596</b>	<b>\$ (3,992,340)</b>

**Outstanding Debt at Year-End**

As illustrated below, total long-term liabilities increased by approximately \$5.7 million, net. This is related to the addition of unamortized premiums on issuances of GO Bonds and increases in accreted interest and the District’s OPEB liability.

**Table 6 – Outstanding Debt at Year-End**

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
General Obligation Bonds	\$ 177,143,027	\$ 177,849,033	\$ 706,006
Accreted Interest	12,804,354	11,056,809	1,747,545
Unamortized Premiums on Issuances of GO Bonds	2,323,549	-	2,323,549
Net OPEB Obligation	6,851,052	5,652,804	1,198,248
Compensated Absences	170,026	208,964	(38,938)
Capital Leases	161,408	317,312	(155,904)
Charter School Loan	100,000	150,000	(50,000)
<b>Total Outstanding Debt</b>	<b>\$ 199,553,416</b>	<b>\$ 195,234,922</b>	<b>\$ 5,730,506</b>



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

As indicated above, school finance is a complex and dynamic process that evolves daily. There are many variables, which impact a school district's finances – including student enrollment, student attendance, inflation, school facilities, state and federal funding, state and national economy. The future budget proposals require management to plan carefully and prudently to provide the resources necessary to ensure that all students graduate as college and career ready, productive, responsible, and engaged global citizens.

### **Contacting the District's Financial Management**

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact:

William C. Young  
Associate Superintendent, Administrative Services  
Natomas Unified School District  
1901 Arena Boulevard  
Sacramento, California 95834





## **BASIC FINANCIAL STATEMENTS**

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 61,519,649
Receivables	13,421,330
Prepaid expenses	145,657
Stores inventory	84,106
Non-depreciable capital assets (Note 4)	80,253,678
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>309,739,578</u>
Total assets	<u>465,163,998</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred loss from refunding of debt	<u>724,834</u>
<b>LIABILITIES</b>	
Accounts payable	8,533,688
Unearned revenue	69,487
Long-term liabilities (Note 5):	
Due within one year	6,579,005
Due after one year	<u>192,974,411</u>
Total liabilities	<u>208,156,591</u>
<b>NET POSITION</b>	
Net investment in capital assets	215,530,122
Restricted (Note 6)	37,482,731
Unrestricted	<u>4,719,388</u>
Total net position	<u>\$ 257,732,241</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>(Expense) Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 71,231,212	\$ -	\$ 9,382,692	\$ 232	\$ (61,848,288)
Instruction-related services:					
Supervision and administration	2,793,022	-	1,538,108	-	(1,254,914)
Library, media and technology	1,073,295	-	11,692	-	(1,061,603)
School site administration	8,619,082	-	173,354	-	(8,445,728)
Pupil services:					
Home-to-school transportation	1,776,348	112,963	3,889	-	(1,659,496)
Food services	3,788,721	779,595	3,543,491	-	534,365
All other pupil services	3,997,105	-	883,167	-	(3,113,938)
General administration:					
Centralized data processing	1,241,699	-	224,960	-	(1,016,739)
All other general administration	5,308,244	49,531	852,030	-	(4,406,683)
Plant services	10,381,635	5,146	1,415,453	-	(8,961,036)
Ancillary services	463,736	-	-	-	(463,736)
Community services	6,123	-	6,771	-	648
Other outgo	649,289	-	91,935	-	(557,354)
Interest on long-term liabilities	8,849,831	-	-	-	(8,849,831)
	<u>\$ 120,179,342</u>	<u>\$ 947,235</u>	<u>\$ 18,127,542</u>	<u>\$ 232</u>	<u>(101,104,333)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					16,085,780
Taxes levied for debt service					13,387,974
Taxes levied for other specific purposes					1,866
Federal and state aid not restricted to specific purposes					67,763,819
Interest and investment earnings					(408)
Miscellaneous					1,479,780
Special and extraordinary items					148,072
Interagency revenues					280,529
					<u>99,147,412</u>
					<u>(1,956,921)</u>
					<u>259,689,162</u>
					<u>\$ 257,732,241</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2014

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 10,832,080	\$ 9,250,856	\$ 4,739,695	\$ 10,753,234	\$ 7,701,975	\$ 43,277,840
Cash on hand and in banks	200	574	-	-	2,500	3,274
Cash in revolving fund	20,000	35,000	-	-	-	55,000
Cash with Fiscal Agent	-	214,331	17,969,204	-	-	18,183,535
Receivables	9,601,365	3,247,050	20,925	5,350	546,640	13,421,330
Prepaid expenditures	9,177	136,480	-	-	-	145,657
Due from other funds	1,103,725	1,921	-	-	358	1,106,004
Stores inventory	-	-	-	-	84,106	84,106
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 21,566,547</u>	<u>\$ 12,886,212</u>	<u>\$ 22,729,824</u>	<u>\$ 10,758,584</u>	<u>\$ 8,335,579</u>	<u>\$ 76,276,746</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 4,704,650	\$ 465,464	\$ 250	\$ -	\$ 722,813	\$ 5,893,177
Unearned revenue	66,369	2,873	-	245	-	69,487
Due to other funds	<u>2,279</u>	<u>867,229</u>	<u>-</u>	<u>-</u>	<u>236,496</u>	<u>1,106,004</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>4,773,298</u>	<u>1,335,566</u>	<u>250</u>	<u>245</u>	<u>959,309</u>	<u>7,068,668</u>
Fund balances:						
Nonspendable	29,177	171,480	-	-	84,106	284,763
Restricted	3,037,106	11,379,166	22,729,574	10,758,339	7,292,164	55,196,349
Assigned	11,443,966	-	-	-	-	11,443,966
Unassigned	<u>2,283,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,283,000</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>16,793,249</u>	<u>11,550,646</u>	<u>22,729,574</u>	<u>10,758,339</u>	<u>7,376,270</u>	<u>69,208,078</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 21,566,547</u>	<u>\$ 12,886,212</u>	<u>\$ 22,729,824</u>	<u>\$ 10,758,584</u>	<u>\$ 8,335,579</u>	<u>\$ 76,276,746</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -  
TO THE STATEMENT OF NET POSITION**

**June 30, 2014**

Total fund balances - Governmental Funds \$ 69,208,078

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$473,969,002 and the accumulated depreciation is \$83,975,746 (Note 4). 389,993,256

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2014 consisted of (Note 5):

General Obligation Bonds	\$ (177,143,027)	
Accreted interest	(12,804,354)	
Unamortized Premium on issuance of General Obligation Bonds	(2,323,549)	
Capitalized lease obligations	(161,408)	
Charter school loans	(100,000)	
Net OPEB liability (Note 8)	(6,851,052)	
Compensated absences	<u>(170,026)</u>	
		(199,553,416)

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt. 724,834

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred: (2,640,511)

Total net position - governmental activities \$ 257,732,241

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 47,855,489	\$ 17,707,005	\$ -	\$ -	\$ -	\$ 65,562,494
Local sources	<u>11,489,536</u>	<u>4,597,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,086,919</u>
Total LCFF	<u>59,345,025</u>	<u>22,304,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,649,413</u>
Federal sources	4,797,263	361,213	-	-	3,504,801	8,663,277
Other state sources	5,048,958	1,757,128	-	124,885	246,233	7,177,204
Other local sources	<u>4,359,047</u>	<u>1,662,717</u>	<u>35,664</u>	<u>13,255,607</u>	<u>1,271,199</u>	<u>20,584,234</u>
Total revenues	<u>73,550,293</u>	<u>26,085,446</u>	<u>35,664</u>	<u>13,380,492</u>	<u>5,022,233</u>	<u>118,074,128</u>
Expenditures:						
Certificated salaries	37,159,069	11,097,193	-	-	-	48,256,262
Classified salaries	13,046,960	2,106,981	864	-	1,343,120	16,497,925
Employee benefits	12,817,853	3,419,943	63	-	437,953	16,675,812
Books and supplies	4,322,664	1,380,345	482,894	-	2,083,229	8,269,132
Contract services and operating expenditures	8,030,187	3,290,123	461,252	-	378,588	12,160,150
Capital outlay	92,420	138,891	828,151	-	3,047,527	4,106,989
Other outgo	621,461	33,462	-	3,164	-	658,087
Debt service:						
Principal retirement	-	205,904	-	5,741,006	-	5,946,910
Interest	<u>-</u>	<u>19,266</u>	<u>773,156</u>	<u>6,921,251</u>	<u>-</u>	<u>7,713,673</u>
Total expenditures	<u>76,090,614</u>	<u>21,692,108</u>	<u>2,546,380</u>	<u>12,665,421</u>	<u>7,290,417</u>	<u>120,284,940</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,540,321)</u>	<u>4,393,338</u>	<u>(2,510,716)</u>	<u>715,071</u>	<u>(2,268,184)</u>	<u>(2,210,812)</u>
Other financing sources (uses):						
Operating transfers in	953,323	162,000	18,672	-	-	1,133,995
Operating transfers out	-	(750,101)	-	-	(383,894)	(1,133,995)
Proceeds from the issuance of long-term liabilities	-	-	27,265,000	-	-	27,265,000
Premium related to issuance of long-term liabilities	-	-	2,436,818	-	-	2,436,818
Refunding of General Obligation Bonds	<u>-</u>	<u>-</u>	<u>(22,230,000)</u>	<u>-</u>	<u>-</u>	<u>(22,230,000)</u>
Total other financing sources (uses)	<u>953,323</u>	<u>(588,101)</u>	<u>7,490,490</u>	<u>-</u>	<u>(383,894)</u>	<u>7,471,818</u>
Change in fund balances	(1,586,998)	3,805,237	4,979,774	715,071	(2,652,078)	5,261,006
Fund balances, July 1, 2013	<u>18,380,247</u>	<u>7,745,409</u>	<u>17,749,800</u>	<u>10,043,268</u>	<u>10,028,348</u>	<u>63,947,072</u>
Fund balances, June 30, 2014	<u>\$ 16,793,249</u>	<u>\$ 11,550,646</u>	<u>\$ 22,729,574</u>	<u>\$ 10,758,339</u>	<u>\$ 7,376,270</u>	<u>\$ 69,208,078</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

Net change in fund balances - Total Governmental Funds		\$ 5,261,006
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 4,775,577	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(8,767,917)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	28,176,910	
In governmental funds, proceeds from debt are recognized as other financing sources. In the statement of net position, proceeds from debt are reported as increases to liabilities (Note 5).	(27,265,000)	
Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 5).	(2,323,549)	
Accreted interest is an expense that is not reported in the governmental funds (Note 5).	(1,747,545)	
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	368,073	
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.	724,834	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	38,938	
In the statement of activities, expenses related to net OPEB liability are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 8).	<u>(1,198,248)</u>	<u>(7,217,927)</u>
Change in net position of governmental activities		<u>\$ (1,956,921)</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**TRUST AND AGENCY FUNDS**  
**June 30, 2014**

	<u>Trust</u>	<u>Agency</u>
	<u>Scholarship Trust Fund</u>	<u>Student Body Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 20,236	\$ -
Cash on hand and in banks	-	311,788
Receivables	<u>22</u>	<u>-</u>
Total assets	<u>20,258</u>	<u>311,788</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>311,788</u>
<b>NET POSITION</b>		
Restricted (Note 6)	<u>\$ 20,258</u>	<u>\$ -</u>

See accompanying notes to financial statements.



**NATOMAS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**TRUST FUND**

**For the Year Ended June 30, 2014**

	<b>Scholarship Trust Fund</b>
<b>Additions:</b> Other local sources	\$ 3,772
<b>Deductions:</b> Contract services and operating expenditures	<u>6,500</u>
Change in net position	(2,728)
Net position, July 1, 2013	<u>22,986</u>
Net position, June 30, 2014	<u>\$ 20,258</u>

See accompanying notes to financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Natomas Unified School District (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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District and the Natomas Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District. Therefore, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Trustees.
2. The Corporation has no employees. The District's Superintendent and Chief Business Officer function as agents of the Corporation. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reporting Entity (Continued)

**B - Accounting for Fiscal Matters**

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

**C - Scope of Public Service and Financial Presentation**

1. The Corporation was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Government-Wide Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

#### Basis of Presentation - Fund Accounting

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 balance, 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.

#### A - Major Funds

##### 1. General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For fiscal reporting purposes, the current year activity and year end balance of the Special Reserve for Postemployment Benefits Fund is combined with the General Fund.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

A - Major Funds (Continued)

2. Charter School Fund:

The Charter School Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

3. Building Fund:

The Building Fund is used to account for resources used for the acquisition or construction of capital facilities by the District.

4. Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. All records relating to the Bond Interest and Redemption Fund are maintained by the Sacramento County Auditor-Controller. The revenue for this fund is raised by school district taxes which are levied, collected, and administered by County officials. The Education Code stipulates that the tax rate levied shall be sufficient to provide monies for the payment of principal and interest as they become due on outstanding school district bonds.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Child Development, Cafeteria and Deferred Maintenance Funds.

Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This includes the Capital Facilities, County School Facilities and Special Reserve for Capital Outlay Funds.

The Scholarship Trust Fund is a Trust Fund used to account for amounts held by the District as Trustee, to be used to provide scholarships to students of the District.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

Student Body Funds are used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in Student Body Funds.

Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds 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 collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Stores Inventory

Inventories in the Cafeteria Fund are valued at latest invoice cost. Inventory recorded in the Cafeteria Fund consists mainly of food and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$48,322.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

Compensated Absences

Compensated absences benefits in the amount of \$ 170,026 are recorded as a liability. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and CalPERS employees, when the employee retires.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Investment in Capital Assets

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues and state programs represent programs where the revenue received is restricted for expenditures only in that particular program. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for scholarships represents the portion of net position to be used to provide financial assistance to students of the District. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.



**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance Classifications (Continued)

**B - Restricted Fund Balance:**

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. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

**D - Assigned Fund Balance:**

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2014, no such designation has occurred.

**E - Unassigned Fund Balance:**

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2014, the District has established a minimum fund balance policy of 9%. At June 30, 2014, the District has not established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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 as of June 30.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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. Accordingly, actual results may differ from those estimates.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012 GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### New Accounting Pronouncements (Continued)

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 43,277,840	\$ 20,236
Deposits:		
Cash on hand and in banks	3,274	311,788
Cash in revolving fund	<u>55,000</u>	<u>-</u>
Total deposits	<u>58,274</u>	<u>311,788</u>
Investments:		
Cash with Fiscal Agent	<u>18,183,535</u>	<u>-</u>
Total cash and investments	<u>\$ 61,519,649</u>	<u>\$ 332,024</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury. The County pools these funds with those of school districts in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2014, the Sacramento County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk - Deposits

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts were \$370,062 and the bank balance was \$354,679, all of which was insured.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Cash with Fiscal Agent

The Cash with Fiscal Agent in the Charter School Fund and the Building Fund represent amounts held by a third party custodian in the District's name as a fiscal agent.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

**3. INTERFUND TRANSACTIONS**

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,103,725	\$ 2,279
Charter School	1,921	867,229
Non-Major Fund:		
Cafeteria	<u>358</u>	<u>236,496</u>
Totals	<u>\$ 1,106,004</u>	<u>\$ 1,106,004</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2013-2014 fiscal year were as follows:

Transfer from the Charter Schools Fund to the General Fund for building payments and indirect costs.	\$ 750,101
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	202,517
Transfer from the Capital Facilities Fund to the General Fund for administrative fee.	705
Transfer from the Capital Facilities Fund to the Charter Schools Fund for East Commerce lease.	162,000
Transfer from the Capital Facilities Fund to the Building Fund for project management costs.	<u>18,672</u>
	<u>\$ 1,133,995</u>

**4. CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 66,639,259	\$ -	\$ -	\$ 66,639,259
Work-in-process	11,012,664	2,601,755	-	13,614,419
Depreciable:				
Buildings	370,090,685	1,655,993	-	371,746,678
Site improvements	9,918,116	327,486	-	10,245,602
Equipment	<u>11,532,701</u>	<u>190,343</u>	<u>-</u>	<u>11,723,044</u>
Totals, at cost	<u>469,193,425</u>	<u>4,775,577</u>	<u>-</u>	<u>473,969,002</u>
Less accumulated depreciation:				
Buildings	(64,650,803)	(7,656,137)	-	(72,306,940)
Site improvements	(2,691,879)	(495,906)	-	(3,187,785)
Equipment	<u>(7,865,147)</u>	<u>(615,874)</u>	<u>-</u>	<u>(8,481,021)</u>
Total accumulated depreciation	<u>(75,207,829)</u>	<u>(8,767,917)</u>	<u>-</u>	<u>(83,975,746)</u>
Capital assets, net	<u>\$ 393,985,596</u>	<u>\$ (3,992,340)</u>	<u>\$ -</u>	<u>\$ 389,993,256</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 145,755
Instructional Supervision	1,410
Food Services	29,624
General Administration	99,692
Plant Services	5,578,655
All Other General Administration	<u>2,912,781</u>
 Total depreciation expense	 <u>\$ 8,767,917</u>

**5. LONG-TERM LIABILITIES**

General Obligation Bonds

Refunding Bonds, Series 1999:

On January 1, 1999 the District issued 1999 Refunding General Obligation Bonds totaling \$22,450,000. Repayment of the bonds is made from the special parcel tax revenues levied in connection with the bond issue. The bonds bear interest rates from 4.70% to 5.95% and are scheduled to mature through September 2021 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,445,000	\$ 459,573	\$ 1,904,573
2016	1,530,000	374,288	1,904,288
2017	1,630,000	282,476	1,912,476
2018	1,005,000	184,450	1,189,450
2019	665,000	135,660	800,660
2020-2022	<u>1,730,000</u>	<u>157,080</u>	<u>1,887,080</u>
	<u>\$ 8,005,000</u>	<u>\$ 1,593,527</u>	<u>\$ 9,598,527</u>

Series 2004B:

On August 1, 2004, the District issued General Obligation Bonds, Series "B" in the amount of \$30,584,687 for addition and modernization of school facilities and to refund outstanding District 2003 Certificates of Participation (COPs). The District authorized the General Obligation Bonds pursuant to the special election of the registered voters held on November 5, 2002, and are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the district. The bonds bear interest rates from 2.0% to 5.0% and are scheduled to mature in September 2022.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 799,856	\$ 800,144	\$ 1,600,000
2020-2023	<u>3,126,531</u>	<u>4,213,469</u>	<u>7,340,000</u>
	<u>\$ 3,926,387</u>	<u>\$ 5,013,613</u>	<u>\$ 8,940,000</u>



**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series 2006:

On August 1, 2006, the District issued general obligation bonds, Series "2006" in the amount of \$60,000,000 for addition and modernization of school facilities. The District authorized the bonds pursuant to the special election of the registered voters held on June 6, 2006, and the bonds are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds bear interest rates from 4.25% to 5.0% and are scheduled to mature through August 2031 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 695,000	\$ 2,633,500	\$ 3,328,500
2016		2,618,731	2,618,731
2017	-	2,618,731	2,618,731
2018	-	2,618,731	2,618,731
2019	-	2,618,731	2,618,731
2020-2024	8,470,000	12,453,134	20,923,134
2025-2029	22,990,000	8,875,606	31,865,606
2030-2032	<u>23,500,000</u>	<u>1,843,838</u>	<u>25,343,838</u>
	<u>\$ 55,655,000</u>	<u>\$ 36,281,002</u>	<u>\$ 91,936,002</u>

Series 2007:

On August 1, 2007, the District issued general obligation bonds, Series "2007" in the amount of \$54,999,999 for addition and modernization of school facilities. The District authorized the bonds pursuant to the special election of the registered voters held on June 6, 2006, and the bonds are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds bear interest rates from 3.90% to 5.65% and are scheduled to mature through August 2032 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 392,179	\$ 1,467,575	\$ 1,859,754
2016	1,181,006	1,467,575	2,648,581
2017	1,423,063	1,467,575	2,890,638
2017	1,652,591	1,467,575	3,120,166
2018	1,765,620	1,467,575	3,233,195
2020-2024	8,084,336	7,337,875	15,422,211
2025-2029	8,171,527	7,337,875	15,509,402
2030-2033	<u>30,361,318</u>	<u>3,994,163</u>	<u>34,355,481</u>
	<u>\$ 53,031,640</u>	<u>\$ 26,007,788</u>	<u>\$ 79,039,428</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series 2008:

On September 1, 2008, the District issued 2008 General Obligation Bonds in the amount of \$21,170,000 to refund the 1997 Refunding General Obligation Bond (Prior Bond). The Prior Bond was issued to refund the District's General Obligation Bonds Election of 1992, Series 1992A. Series 1994A and Series 1995A, which were originally issued to finance the acquisition and construction of new schools and for the alteration and additions of existing schools. The District completed the refunding to reduce debt service payments by \$654,026 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$450,574 in aggregate. The District authorized the 2008 bonds pursuant to resolution adopted by the District board on May 14, 2008, and the bonds are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The 2008 bonds bear interest rates from 4.1% to 5% and are scheduled to mature in September 2019 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,000,000	\$ 491,006	\$ 2,491,006
2016	2,085,000	416,006	2,501,006
2017	2,175,000	332,606	2,507,606
2018	2,255,000	245,606	2,500,606
2019	2,065,000	155,406	2,220,406
2020	<u>1,765,000</u>	<u>72,806</u>	<u>1,837,806</u>
	<u>\$ 12,345,000</u>	<u>\$ 1,713,436</u>	<u>\$ 14,058,436</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

Series 2012:

On June 19, 2012, the District refinanced the 2001 and 2003A series General Obligation Bonds, which were originally issued to finance the acquisition and construction of new schools and for the alteration and additions of existing schools, into the General Obligation Refunding Bond Series 2012 in the amount of \$18,165,000. The District authorized the 2012 bonds pursuant to resolution adopted by the District board on May 9, 2012, and the bonds are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds bear interest rates from 3.0% to 4.0% and are scheduled to mature through September 2027 as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 765,000	\$ 586,775	\$ 1,351,775
2016	820,000	563,000	1,383,000
2017	890,000	537,350	1,427,350
2018	955,000	509,675	1,464,675
2019	1,025,000	479,975	1,504,975
2020-2024	6,310,000	1,862,600	8,172,600
2025-2028	<u>6,440,000</u>	<u>511,600</u>	<u>6,951,600</u>
	<u>\$ 17,205,000</u>	<u>\$ 5,050,975</u>	<u>\$ 22,255,975</u>

Refunding bonds, 2013:

On July 1, 2013 the District issued \$27,265,000 of 2013 General Obligation Refunding Bonds to refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series 2004B and to pay costs of issuing the Refunding Bonds. The Bonds mature in varying amounts through August 2028 with interest rates from 2.0% to 5.0%.

Series A

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 815,000	\$ 1,089,000	\$ 1,904,000
2016	900,000	1,067,350	1,967,350
2017	1,000,000	1,038,850	2,038,850
2018	1,100,000	1,007,350	2,107,350
2019	1,210,000	972,700	2,182,700
2020-2024	8,100,000	4,022,550	12,122,550
2025-2029	<u>13,850,000</u>	<u>1,677,225</u>	<u>15,527,225</u>
	<u>\$ 26,975,000</u>	<u>\$ 10,875,025</u>	<u>\$ 37,850,025</u>

Although the advance refundings resulted in the recognition of an accounting loss of \$773,156 for the year ended June 30, 2014, the District in effect reduced its aggregate debt service payments by \$1,912,726 over the next 8 years and obtained an economic gain of \$2,627,872.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

Refunding bonds, 2013: (Continued)

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 34,572,994
New debt service cash flows	<u>38,949,019</u>
Cash flow difference	(4,376,025)
Plus: Refunding cash with fiscal agent	<u>6,288,751</u>
Total cash flow difference	<u>\$ 1,912,726</u>
Present value of old debt service cash flows	\$ 26,317,531
Present value of new debt service cash flows	<u>23,689,659</u>
Economic gain	<u>\$ 2,627,872</u>

Capitalized Lease Obligations

The District leases equipment under capital lease agreements. The capitalized value for the equipment was \$1,736,855 with accumulated depreciation of \$1,263,674 as of June 30, 2014. Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	Lease <u>Payments</u>
2015	\$ 175,754
Less amount representing interest	<u>(14,346)</u>
Net minimum lease payments	<u>\$ 161,408</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

Charter School Loans

The Natomas Charter School entered into a loan agreement in the amount of \$150,743, for the operation of the Charter School. The revolving loan has an interest rate of 0.35%. Payments on the loan begin August 2012 and the loan matures in the fiscal year ending June 30, 2016. Future payments to be made by the Charter School are outlined as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 50,000	\$ 309	\$ 50,309
2016	<u>50,000</u>	<u>137</u>	<u>50,137</u>
	<u>\$ 100,000</u>	<u>\$ 446</u>	<u>\$ 100,446</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is shown below:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 177,849,033	\$ 27,265,000	\$ 27,971,006	\$ 177,143,027	\$ 6,112,179
Accreted interest	11,056,809	2,051,539	303,994	12,804,354	137,821
Premium on issuance of					
General Obligation Bonds	-	2,436,818	113,269	2,323,549	117,597
Capitalized lease obligations	317,312	-	155,904	161,408	161,408
Charter school loans	150,000	-	50,000	100,000	50,000
Net OPEB liability (Note 8)	5,652,804	1,716,491	518,243	6,851,052	-
Compensated absences	<u>208,964</u>	<u>-</u>	<u>38,938</u>	<u>170,026</u>	<u>-</u>
	<u>\$ 195,234,922</u>	<u>\$ 33,469,848</u>	<u>\$ 29,151,354</u>	<u>\$ 199,553,416</u>	<u>\$ 6,579,005</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Capitalized lease obligations are made from the Charter School Fund and the Capital Facilities Fund. Payments on the Charter school loans are made from the Charter School Fund. Payments on net OPEB liability and compensated absences are made from the fund for which the related employee worked.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. NET POSITION / FUND BALANCES**

Restricted net position consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Restricted for unspent categorical program revenues and state programs	\$ 3,037,106	\$ -
Restricted for special revenues	13,541,667	-
Restricted for debt service	10,758,339	-
Restricted for capital projects	10,145,619	-
Restricted for scholarships	<u>-</u>	<u>20,258</u>
Total restricted net position	<u>\$ 37,482,731</u>	<u>\$ 26,309</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. NET POSITION / FUND BALANCES (Continued)**

Fund balances, by category, at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:						
Revolving cash fund	\$ 20,000	\$ 35,000	\$ -	\$ -	\$ -	\$ 55,000
Prepaid expenses	9,177	136,480	-	-	-	145,657
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,106</u>	<u>84,106</u>
Subtotal nonspendable	<u>29,177</u>	<u>171,480</u>	<u>-</u>	<u>-</u>	<u>84,106</u>	<u>284,763</u>
Restricted:						
Unspent categorical revenues	3,037,106	-	-	-	-	3,037,106
Capital projects	-	-	22,729,574	-	5,385,249	28,114,823
Special revenues	-	11,379,166	-	-	1,906,915	13,286,081
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,758,339</u>	<u>-</u>	<u>10,758,339</u>
Subtotal restricted	<u>3,037,106</u>	<u>11,379,166</u>	<u>22,729,574</u>	<u>10,758,339</u>	<u>7,292,164</u>	<u>55,196,349</u>
Assigned:						
Lottery	781,804	-	-	-	-	781,804
Special education encroachment	10,573,509	-	-	-	-	10,573,509
Other assigned	<u>88,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,653</u>
Subtotal board assigned	<u>11,443,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,443,966</u>
Unassigned:						
Designated for economic uncertainty	<u>2,283,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,283,000</u>
Total fund balances	<u>\$ 16,793,249</u>	<u>\$ 11,550,646</u>	<u>\$ 22,729,574</u>	<u>\$ 10,758,339</u>	<u>7,376,270</u>	<u>\$ 69,208,078</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 7. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

##### *Plan Description*

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

##### *Funding Policy*

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$1,254,889, \$1,461,062 and \$1,659,242, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

##### *Plan Description*

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.



**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$3,297,458, \$3,602,114 and \$3,925,817, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

**8. OTHER POSTEMPLOYMENT HEALTHCARE PLAN**

Plan Description

Natomas Unified School District's provides postemployment health care benefits until age 65 to all classified employees that have been enrolled in the Plan for at least two open enrollment periods, who enter into CalPERS retirement, and who have over 15 years of consecutive service. Certificated employees who are currently enrolled in the Plan, complete 15 years of consecutive service, and enter the retirement system upon leaving the District are eligible to receive medical benefits (up to single rate) until they reach age 65. As of June 30, 2014 the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Trustees. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board. For fiscal year ended June 30, 2014, the District contributed \$518,243 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based in the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,583,248
Interest on net OPEB obligation	268,508
Adjustment to annual required contribution	<u>(135,265)</u>
Annual OPEB cost (expense)	1,716,491
Contributions made	<u>(518,243)</u>
Increase in net OPEB obligation	1,198,248
Net OPEB obligation - beginning of year	<u>5,652,804</u>
Net OPEB obligation - end of year	<u><u>\$ 6,851,052</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2012	\$ 1,696,330	20%	\$ 4,337,553
June 30, 2013	\$ 1,792,389	27%	\$ 5,652,804
June 30, 2014	\$ 1,716,491	30%	\$ 6,851,052

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$11.9 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.9 million. For fiscal year ending June 30, 2014, the covered payroll (annual payroll of active employees covered by the plan) was \$62,508,540, and the ratio of the UAAL to the covered payroll was 19 percent. The Schedule of Funding Progress is presented as Required Supplementary Information. The OPEB plan is currently operated as a pay-as-you-go plan.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate, an annual healthcare cost trend rate of 4.75 percent. Both rates included a 3 percent inflation rate assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2014, was 28 years.

**9. JOINT POWERS AGREEMENT**

Schools Insurance Authority

The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The following is a summary of financial information for SIA at June 30, 2013 (the latest information available):

Total assets	\$ 110,869,154
Total liabilities	\$ 48,458,958
Total net position	\$ 62,410,196
Total revenues	\$ 41,261,493
Total expenses	\$ 42,863,046

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**10. CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 37,459,973	\$ 54,447,823	\$ 47,855,489	\$ (6,592,334)
Local sources	<u>14,893,108</u>	<u>11,577,093</u>	<u>11,489,536</u>	<u>(87,557)</u>
Total LCFF	<u>52,353,081</u>	<u>66,024,916</u>	<u>59,345,025</u>	<u>(6,679,891)</u>
Federal sources	4,881,872	4,157,465	4,797,263	639,798
Other state sources	10,667,369	2,797,118	5,048,958	2,251,840
Other local sources	<u>4,324,929</u>	<u>4,247,184</u>	<u>4,359,047</u>	<u>111,863</u>
Total revenues	<u>72,227,251</u>	<u>77,226,683</u>	<u>73,550,293</u>	<u>(3,676,390)</u>
Expenditures:				
Certificated salaries	35,856,917	41,276,396	37,159,069	4,117,327
Classified salaries	12,514,879	14,249,825	13,046,960	1,202,865
Employee benefits	13,658,604	16,057,353	12,817,853	3,239,500
Books and supplies	2,508,319	4,208,931	4,322,664	(113,733)
Contract services and operating expenditures	534,084	7,165,007	8,030,187	(865,180)
Capital outlay	405,000	255,408	92,420	162,988
Other outgo	<u>456,137</u>	<u>610,294</u>	<u>621,461</u>	<u>(11,167)</u>
Total expenditures	<u>65,933,940</u>	<u>83,823,214</u>	<u>76,090,614</u>	<u>7,713,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,293,311</u>	<u>(6,596,531)</u>	<u>(2,540,321)</u>	<u>4,036,944</u>
Other financing sources:				
Operating transfers in	<u>620,325</u>	<u>1,080,276</u>	<u>953,323</u>	<u>(126,953)</u>
Total other financing sources	<u>620,325</u>	<u>1,080,276</u>	<u>953,323</u>	<u>(126,953)</u>
Change in fund balance	6,913,636	(5,516,255)	(1,586,998)	3,909,991
Fund balance, July 1, 2013	<u>18,380,247</u>	<u>18,380,247</u>	<u>18,380,247</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 25,293,883</u>	<u>\$ 12,863,992</u>	<u>\$ 16,793,249</u>	<u>\$ 3,909,991</u>

See accompanying notes to required supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**CHARTER SCHOOL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 15,305,927	\$ 21,219,832	\$ 17,707,005	\$ (3,512,827)
Local sources	<u>4,096,180</u>	<u>4,859,193</u>	<u>4,597,383</u>	<u>(261,810)</u>
Total LCFF	<u>19,402,107</u>	<u>26,079,025</u>	<u>22,304,388</u>	<u>(3,774,637)</u>
Federal sources	225,000	88,987	361,213	272,226
Other state sources	3,373,688	699,683	1,757,128	1,057,445
Other local sources	<u>1,533,393</u>	<u>1,411,725</u>	<u>1,662,717</u>	<u>250,992</u>
Total revenues	<u>24,534,188</u>	<u>28,279,420</u>	<u>26,085,446</u>	<u>(2,193,974)</u>
Expenditures:				
Certificated salaries	11,100,224	13,264,475	11,097,193	2,167,282
Classified salaries	2,228,109	2,473,392	2,106,981	366,411
Employee benefits	3,833,060	4,405,340	3,419,943	985,397
Books and supplies	1,439,137	1,310,568	1,380,345	(69,777)
Contract services and operating expenditures	3,741,101	4,221,201	3,290,123	931,078
Capital outlay	216,100	171,416	138,891	32,525
Other outgo	410,765	393,419	-	393,419
Debt service:				
Principal retirement	-	-	205,904	(205,904)
Interest	<u>-</u>	<u>-</u>	<u>19,266</u>	<u>(19,266)</u>
Total expenditures	<u>22,968,496</u>	<u>25,846,392</u>	<u>21,658,646</u>	<u>4,187,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,565,692</u>	<u>2,433,028</u>	<u>4,426,800</u>	<u>1,993,772</u>
Other financing sources (uses):				
Operating transfers in	27,000	162,000	162,000	-
Operating transfers out	(620,325)	(691,200)	(750,101)	(58,901)
Proceeds from the issuance of long-term liabilities	<u>9,779</u>	<u>9,779</u>	<u>-</u>	<u>(9,779)</u>
Total other financing sources	<u>(583,546)</u>	<u>(519,421)</u>	<u>(588,101)</u>	<u>(68,680)</u>
Change in fund balance	982,146	1,913,607	3,838,699	1,925,092
Fund balance, July 1, 2013	<u>7,745,409</u>	<u>7,745,409</u>	<u>7,745,409</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 8,727,555</u>	<u>\$ 9,659,016</u>	<u>\$ 11,584,108</u>	<u>\$ 1,925,092</u>

See accompanying notes to required supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**FUNDING PROGRESS**

For the Year Ended June 30, 2014

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2009	\$ -	\$ 7,757,509	\$ 7,757,509	0%	\$ 60,754,925	13%
July 1, 2011	\$ -	\$ 10,508,790	\$ 10,508,790	0%	\$ 51,226,166	21%
July 1, 2013	\$ -	\$ 11,966,591	\$ 11,966,591	0%	\$ 62,508,540	19%

See accompanying notes to required supplementary information.



NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General and Charter School Funds are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2014 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Books and supplies	\$ 113,733
Charter School Fund:	
Books and supplies	\$ 69,777

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

## **SUPPLEMENTARY INFORMATION**

NATOMAS UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
<b>ASSETS</b>							
Cash in County Treasury	\$ 1,387	\$ 996,517	\$ 734,689	\$ 5,734,203	\$ 202,341	\$ 32,838	\$ 7,701,975
Cash in banks	-	2,500	-	-	-	-	2,500
Receivables	1	497,831	920	6,022	232	41,634	546,640
Due from other funds	-	358	-	-	-	-	358
Stores inventory	-	84,106	-	-	-	-	84,106
Total assets	<u>\$ 1,388</u>	<u>\$ 1,581,312</u>	<u>\$ 735,609</u>	<u>\$ 5,740,225</u>	<u>\$ 202,573</u>	<u>\$ 74,472</u>	<u>\$ 8,335,579</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ 89,223	\$ 1,569	\$ 630,839	\$ 1,182	\$ -	\$ 722,813
Due to other funds	-	236,496	-	-	-	-	236,496
Total liabilities	<u>-</u>	<u>325,719</u>	<u>1,569</u>	<u>630,839</u>	<u>1,182</u>	<u>-</u>	<u>959,309</u>
Fund balances:							
Nonspendable	-	84,106	-	-	-	-	84,106
Restricted	<u>1,388</u>	<u>1,171,487</u>	<u>734,040</u>	<u>5,109,386</u>	<u>201,391</u>	<u>74,472</u>	<u>7,292,164</u>
Total fund balances	<u>1,388</u>	<u>1,255,593</u>	<u>734,040</u>	<u>5,109,386</u>	<u>201,391</u>	<u>74,472</u>	<u>7,376,270</u>
Total liabilities and fund balances	<u>\$ 1,388</u>	<u>\$ 1,581,312</u>	<u>\$ 735,609</u>	<u>\$ 5,740,225</u>	<u>\$ 202,573</u>	<u>\$ 74,472</u>	<u>\$ 8,335,579</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**

**ALL NON-MAJOR FUNDS**

For the Year Ended June 30, 2014

	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
Revenues:							
Federal sources	\$ -	\$ 3,504,801	\$ -	-	\$ -	\$ -	\$ 3,504,801
Other state sources	-	246,233	-	-	-	-	246,233
Other local sources	<u>1</u>	<u>828,169</u>	<u>920</u>	<u>405,254</u>	<u>231</u>	<u>36,624</u>	<u>1,271,199</u>
Total revenues	<u>1</u>	<u>4,579,203</u>	<u>920</u>	<u>405,254</u>	<u>231</u>	<u>36,624</u>	<u>5,022,233</u>
Expenditures:							
Classified salaries	-	1,343,120	-	-	-	-	1,343,120
Employee benefits	-	437,953	-	-	-	-	437,953
Books and supplies	-	1,943,877	-	139,352	-	-	2,083,229
Contract services and operating expenditures	-	88,921	-	286,188	3,456	23	378,588
Capital outlay	<u>-</u>	<u>50,453</u>	<u>725,075</u>	<u>2,232,887</u>	<u>2,800</u>	<u>36,312</u>	<u>3,047,527</u>
Total expenditures	<u>-</u>	<u>3,864,324</u>	<u>725,075</u>	<u>2,658,427</u>	<u>6,256</u>	<u>36,335</u>	<u>7,290,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1</u>	<u>714,879</u>	<u>(724,155)</u>	<u>(2,253,173)</u>	<u>(6,025)</u>	<u>289</u>	<u>(2,268,184)</u>
Other financing uses:							
Operating transfers out	<u>-</u>	<u>(202,517)</u>	<u>-</u>	<u>(181,377)</u>	<u>-</u>	<u>-</u>	<u>(383,894)</u>
Total other financing uses	<u>-</u>	<u>(202,517)</u>	<u>-</u>	<u>(181,377)</u>	<u>-</u>	<u>-</u>	<u>(383,894)</u>
Net change in fund balances	1	512,362	(724,155)	(2,434,550)	(6,025)	289	(2,652,078)
Fund balances, July 1, 2013	<u>1,387</u>	<u>743,231</u>	<u>1,458,195</u>	<u>7,543,936</u>	<u>207,416</u>	<u>74,183</u>	<u>10,028,348</u>
Fund balances, June 30, 2014	<u>\$ 1,388</u>	<u>\$ 1,255,593</u>	<u>\$ 734,040</u>	<u>\$ 5,109,386</u>	<u>\$ 201,391</u>	<u>\$ 74,472</u>	<u>\$ 7,376,270</u>

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES**

**ALL AGENCY FUNDS**

**For the Year Ended June 30, 2014**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>Student Body Funds</b>				
<u>American Lakes Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>3,041</u>	\$ <u>34,975</u>	\$ <u>34,743</u>	\$ <u>3,273</u>
Liabilities:				
Due to student groups	\$ <u>3,401</u>	\$ <u>34,975</u>	\$ <u>34,743</u>	\$ <u>3,633</u>
<u>Bannon Creek Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>6,685</u>	\$ <u>19,462</u>	\$ <u>19,235</u>	\$ <u>6,912</u>
Liabilities:				
Due to student groups	\$ <u>6,685</u>	\$ <u>19,462</u>	\$ <u>19,235</u>	\$ <u>6,912</u>
<u>H. Allen Hight Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>2,624</u>	\$ <u>65,589</u>	\$ <u>63,065</u>	\$ <u>5,148</u>
Liabilities:				
Due to student groups	\$ <u>2,624</u>	\$ <u>65,589</u>	\$ <u>63,065</u>	\$ <u>5,148</u>
<u>Heron School</u>				
Assets:				
Cash on hand and in banks	\$ <u>31,598</u>	\$ <u>251,338</u>	\$ <u>253,574</u>	\$ <u>29,362</u>
Liabilities:				
Due to student groups	\$ <u>31,598</u>	\$ <u>251,338</u>	\$ <u>253,574</u>	\$ <u>29,362</u>
<u>Jefferson Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>12,842</u>	\$ <u>28,312</u>	\$ <u>28,057</u>	\$ <u>13,097</u>
Liabilities:				
Due to student groups	\$ <u>12,842</u>	\$ <u>28,312</u>	\$ <u>28,057</u>	\$ <u>13,097</u>

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES**

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2014**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>Student Body Funds (Continued)</b>				
<u>Natomas Park Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>26,524</u>	\$ <u>125,646</u>	\$ <u>127,260</u>	\$ <u>24,910</u>
Liabilities:				
Due to student groups	\$ <u>26,524</u>	\$ <u>125,646</u>	\$ <u>127,260</u>	\$ <u>24,910</u>
<u>Two Rivers Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>12,272</u>	\$ <u>83,188</u>	\$ <u>81,017</u>	\$ <u>14,443</u>
Liabilities:				
Due to student groups	\$ <u>12,272</u>	\$ <u>83,188</u>	\$ <u>81,017</u>	\$ <u>14,443</u>
<u>Witter Ranch Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>2,659</u>	\$ <u>78,488</u>	\$ <u>77,112</u>	\$ <u>4,035</u>
Liabilities:				
Due to student groups	\$ <u>2,659</u>	\$ <u>78,488</u>	\$ <u>77,112</u>	\$ <u>4,035</u>
<u>Natomas Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>19,411</u>	\$ <u>74,794</u>	\$ <u>78,720</u>	\$ <u>15,485</u>
Liabilities:				
Due to student groups	\$ <u>19,411</u>	\$ <u>74,794</u>	\$ <u>78,720</u>	\$ <u>15,485</u>
<u>Discovery High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>566</u>	\$ <u>3,431</u>	\$ <u>2,955</u>	\$ <u>1,042</u>
Liabilities:				
Due to student groups	\$ <u>566</u>	\$ <u>3,431</u>	\$ <u>2,955</u>	\$ <u>1,042</u>

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES**

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2014**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>Student Body Funds (Continued)</b>				
<u>Inderkum High</u>				
Assets:				
Cash on hand and in banks	\$ <u>143,211</u>	\$ <u>684,702</u>	\$ <u>716,428</u>	\$ <u>111,485</u>
Liabilities:				
Due to student groups	\$ <u>143,211</u>	\$ <u>684,702</u>	\$ <u>716,428</u>	\$ <u>111,485</u>
<u>Natomas High</u>				
Assets:				
Cash on hand and in banks	\$ <u>44,980</u>	\$ <u>472,852</u>	\$ <u>468,909</u>	\$ <u>48,923</u>
Liabilities:				
Due to student groups	\$ <u>44,980</u>	\$ <u>472,852</u>	\$ <u>468,909</u>	\$ <u>48,923</u>
<u>Leroy Greene Academy</u>				
Assets:				
Cash on hand and in banks	\$ <u>3,936</u>	\$ <u>45,714</u>	\$ <u>37,546</u>	\$ <u>12,104</u>
Liabilities:				
Due to student groups	\$ <u>3,936</u>	\$ <u>45,714</u>	\$ <u>37,546</u>	\$ <u>12,104</u>
<u>Charter School Leading Edge</u>				
Assets:				
Cash on hand and in banks	\$ <u>5,615</u>	\$ <u>90,107</u>	\$ <u>86,671</u>	\$ <u>9,051</u>
Liabilities:				
Due to student groups	\$ <u>5,615</u>	\$ <u>90,107</u>	\$ <u>86,671</u>	\$ <u>9,051</u>
<u>Charter School PA</u>				
Assets:				
Cash on hand and in banks	\$ <u>6,480</u>	\$ <u>48,129</u>	\$ <u>42,092</u>	\$ <u>12,517</u>
Liabilities:				
Due to student groups	\$ <u>6,480</u>	\$ <u>48,129</u>	\$ <u>42,092</u>	\$ <u>12,517</u>

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS**  
**AND LIABILITIES**

**ALL AGENCY FUNDS**  
(Continued)  
**For the Year Ended June 30, 2014**

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance June 30, <u>2014</u></b>
<b>Student Body Funds (Continued)</b>				
<u>Natomas Pacific Pathways</u>				
Assets:				
Cash on hand and in banks	\$ <u>          9</u>	\$ <u>          -</u>	\$ <u>          8</u>	\$ <u>          1</u>
Liabilities:				
Due to student groups	\$ <u>          9</u>	\$ <u>          -</u>	\$ <u>          8</u>	\$ <u>          1</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>  322,453</u>	\$ <u> 2,106,727</u>	\$ <u> 2,117,392</u>	\$ <u>  311,788</u>
Liabilities:				
Due to student groups	\$ <u>  322,453</u>	\$ <u> 2,106,727</u>	\$ <u> 2,117,392</u>	\$ <u>  311,788</u>



**NATOMAS UNIFIED SCHOOL DISTRICT**

**ORGANIZATION**

**June 30, 2014**

Natomas Unified School District, a political subdivision of the State of California, was established in 1950 and Unified on July 1, 1993. The District is located in Sacramento County, and currently operates one K-5 elementary school, six K-6 elementary schools, one K-8 elementary school, two middle schools, six charter schools (one TK-12, one K-5, two 6-8, one 7-12 and one 9-12), two high schools, and one continuation high school. There were no changes in the boundaries of the District during the current year.

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Susan Heredia	President	2016
Scott Dosick	Vice President	2016
Lisa Kaplan	Clerk	2014
Ryan Herche	Member	2016
B. Teri Burns	Member	2014

**ADMINISTRATION**

Superintendent  
Chris Evans

Associate Superintendent  
Adrian Palazuelos, Ph.D.

Associate Superintendent  
William C. Young

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**For the Year Ended June 30, 2014**

	<b><u>Second Period Report</u></b>	<b><u>Annual Report</u></b>
<b><u>District</u></b>		
Elementary:		
Transitional Kindergarten through Third	3,216	3,220
Fourth through Sixth	2,250	2,250
Seventh and Eighth	854	853
Special Education	<u>16</u>	<u>14</u>
Total Elementary	<u>6,336</u>	<u>6,337</u>
Secondary:		
Ninth through Twelfth	2,600	2,581
Special Education	<u>7</u>	<u>7</u>
Total Secondary	<u>2,607</u>	<u>2,588</u>
District ADA Totals	<u><u>8,943</u></u>	<u><u>8,925</u></u>
<b><u>Natomas Charter School</u></b>		
<u>Classroom-Based:</u>		
Elementary:		
Transitional Kindergarten through Third	225	221
Fourth through Sixth	178	178
Seventh and Eighth	<u>352</u>	<u>352</u>
Total Elementary	<u>755</u>	<u>751</u>
Secondary:		
Ninth through Twelfth	<u>384</u>	<u>382</u>
Total Classroom-Based	<u><u>1,139</u></u>	<u><u>1,133</u></u>

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
(Continued)  
**For the Year Ended June 30, 2014**

	<u>Second Period Report</u>	<u>Annual Report</u>
<b><u>Natomas Charter School</u></b> (Continued)		
<u>Nonclassroom-Based:</u>		
Elementary:		
Transitional Kindergarten through Third	84	85
Fourth through Sixth	80	81
Seventh and Eighth	<u>58</u>	<u>58</u>
Total Elementary	<u>222</u>	<u>224</u>
Secondary:		
Ninth through Twelfth	<u>66</u>	<u>68</u>
Total Nonclassroom-Based	<u>288</u>	<u>292</u>
Total Natomas Charter School	<u><u>316</u></u>	<u><u>1,425</u></u>
<b><u>Natomas Pacific Pathways Prep Middle School - Classroom-Based</u></b>		
Elementary:		
Fourth through Sixth	156	155
Seventh and Eighth	<u>334</u>	<u>334</u>
Total	<u><u>490</u></u>	<u><u>489</u></u>
<b><u>Natomas Pacific Pathways Prep High School - Classroom-Based</u></b>		
Secondary:		
Ninth through Twelfth	<u><u>528</u></u>	<u><u>527</u></u>
<b><u>Westlake Charter School - Classroom-Based</u></b>		
Elementary:		
Transitional Kindergarten through Third	398	399
Fourth through Sixth	251	250
Seventh and Eighth	<u>115</u>	<u>113</u>
Total	<u><u>764</u></u>	<u><u>762</u></u>
<b><u>Leroy Greene Charter School - Classroom-Based</u></b>		
Elementary:		
Seventh and Eighth	<u>259</u>	<u>258</u>
Secondary:		
Ninth through Twelfth	<u>57</u>	<u>56</u>
Total	<u><u>316</u></u>	<u><u>314</u></u>

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>Statutory Minutes Require- ment</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<b><u>District</u></b>					
Kindergarten	36,000	35,000	54,985	175	In Compliance
Grade 1	50,400	49,000	51,504	175	In Compliance
Grade 2	50,400	49,000	51,504	175	In Compliance
Grade 3	50,400	49,000	51,504	175	In Compliance
Grade 4	54,000	52,500	54,445	175	In Compliance
Grade 5	54,000	52,500	54,445	175	In Compliance
Grade 6	54,000	52,500	54,445	175	In Compliance
Grade 7	54,000	52,500	57,040	175	In Compliance
Grade 8	54,000	52,500	57,040	175	In Compliance
Grade 9	64,800	63,000	65,278	175	In Compliance
Grade 10	64,800	63,000	65,278	175	In Compliance
Grade 11	64,800	63,000	65,278	175	In Compliance
Grade 12	64,800	63,000	65,278	175	In Compliance
<b><u>Natomas Charter School - Classroom-Based</u></b>					
Kindergarten	34,971	N/A	52,200	180	In Compliance
Grade 1	48,960	N/A	55,800	180	In Compliance
Grade 2	48,960	N/A	55,800	180	In Compliance
Grade 3	48,960	N/A	55,800	180	In Compliance
Grade 7	52,457	N/A	61,365	180	In Compliance
Grade 8	52,457	N/A	61,365	180	In Compliance
Grade 9	62,949	N/A	82,980	180	In Compliance
Grade 10	62,949	N/A	82,980	180	In Compliance
Grade 11	62,949	N/A	82,980	180	In Compliance
Grade 12	62,949	N/A	82,980	180	In Compliance
<b><u>Natomas Pacific Pathways Prep Middle School - Classroom-Based</u></b>					
Grade 6	52,457	N/A	65,000	177	In Compliance
Grade 7	52,457	N/A	65,000	177	In Compliance
Grade 8	52,457	N/A	65,000	177	In Compliance
<b><u>Natomas Pacific Pathways Prep High School - Classroom-Based</u></b>					
Grade 9	62,949	N/A	71,462	177	In Compliance
Grade 10	62,949	N/A	71,462	177	In Compliance
Grade 11	62,949	N/A	71,462	177	In Compliance
Grade 12	62,949	N/A	71,462	177	In Compliance
<b><u>Westlake Charter School - Classroom-Based</u></b>					
Transitional Kindergarten	N/A	N/A	36,720	180	In Compliance
Kindergarten	34,971	N/A	55,440	180	In Compliance
Grade 1	48,960	N/A	56,880	180	In Compliance
Grade 2	48,960	N/A	56,880	180	In Compliance
Grade 3	48,960	N/A	60,480	180	In Compliance
Grade 4	52,457	N/A	60,480	180	In Compliance
Grade 5	52,457	N/A	63,288	180	In Compliance
Grade 6	52,457	N/A	63,288	180	In Compliance
Grade 7	52,457	N/A	63,288	180	In Compliance

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	10115	\$ 10,684
84.027	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	14468	247,700
84.027	Special Ed IDEA: Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	1,715,328
84.027A	Special Ed: IDEA: Preschool Local Entitlement, Part B, Section 611	13682	137,449
84.173	Special Ed IDEA: Preschool Local Entitlement, Part B, Sec 611	13430	<u>33,157</u>
	Subtotal Special Education Cluster		<u>2,144,318</u>
	NCLB: Title I, Part A Program:		
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	1,353,904
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14956	<u>260,614</u>
	Subtotal NCLB: Title I, Part A Program		<u>1,614,518</u>
	NCLB Title III Program:		
84.365	NCLB: Title III, Immigrant Education Program	15146	32,229
84.365	NCLB: Title III, Limited English Proficiency Student Program	14346	<u>215,136</u>
	Subtotal NCLB: Title III Program		<u>247,365</u>
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	50,729
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	150,299
84.282	NCLB: Title V, Part B, Public Charter Schools Grants	14941	278,869

(Continued)

**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)

**For the Year Ended June 30, 2014**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u> (Continued)			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	\$ <u>32,564</u>
	Total U.S. Department of Education		<u>4,518,662</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10013	<u>449,299</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs	13523	<u>3,504,802</u>
<u>U.S. Department of Transportation - Passed through California Department of Education</u>			
20.205	Safe routes to school	*	<u>190,514</u>
	Total Federal Programs		<u>\$ 8,663,277</u>

\* PCA number is not available.

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**

	<b>Building Fund</b>
June 30, 2014 Unaudited Financial Report Ending Fund Balance	\$ 16,440,823
Client requested adjustment to record Cash with Fiscal Agent associated with the refunding of debt	<u>6,288,751</u>
June 30, 2014 Audited Financial Statements Ending Fund Balance	<u>\$ 22,729,574</u>

There were no audit adjustments to any other funds of the District.

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**For the Year Ended June 30, 2014**

**(UNAUDITED)**

	<b>(Budget)</b> <b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$ 77,917,383</u>	<u>\$ 74,503,616</u>	<u>\$ 67,769,638</u>	<u>\$ 69,396,808</u>
Expenditures	83,434,138	76,090,614	70,468,173	65,596,547
Other uses and transfers out	<u>-</u>	<u>-</u>	<u>505,590</u>	<u>6,000</u>
Total outgo	<u>83,434,138</u>	<u>76,090,614</u>	<u>70,973,763</u>	<u>65,602,547</u>
Change in fund balance	<u>\$ (5,516,755)</u>	<u>\$ (1,586,998)</u>	<u>\$ (3,204,125)</u>	<u>\$ 3,794,261</u>
Ending fund balance	<u>\$ 11,276,494</u>	<u>\$ 16,793,249</u>	<u>\$ 18,380,247</u>	<u>\$ 21,584,372</u>
Available reserves	<u>\$ 6,421,541</u>	<u>\$ 1,791,037</u>	<u>\$ 2,115,000</u>	<u>\$ 5,408,532</u>
Designated for economic uncertainties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,115,000</u>	<u>\$ 1,970,000</u>
Undesignated fund balance	<u>\$ 6,421,541</u>	<u>\$ 1,791,037</u>	<u>\$ -</u>	<u>\$ 3,438,532</u>
Available reserves as percentages of total outgo	<u>7.7%</u>	<u>2.4%</u>	<u>3.0%</u>	<u>8.2%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 192,974,411</u>	<u>\$ 199,553,416</u>	<u>\$ 195,234,922</u>	<u>\$ 197,693,559</u>
Average daily attendance at P-2, excluding Charter School	<u>9,047</u>	<u>8,943</u>	<u>8,772</u>	<u>9,028</u>

The General Fund fund balance has decreased by \$996,862 over the past three years. The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2014-2015 fiscal year. The fiscal year 2014-2015 budget projects an decrease of \$5,516,755. For a district this size, the State requires available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses.

Total long-term liabilities have decreased by \$(1,859,857) over the past two years, as shown in Note 5 to the financial statements.

Average daily attendance has decreased by 85 over the past two years. The District anticipates a increase of 104 ADA for the 2014-2015 fiscal year.

See accompanying notes to supplementary information.



**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**For the Year Ended June 30, 2014**

**Charter Schools Chartered by District**

**Included in District  
Financial Statements, or  
Separate Report**

Natomas Charter School	Included in the Charter School Fund
NP3 (Natomas Pacific Pathway Prep) Middle School	Included in the Charter School Fund
NP3 (Natomas Pacific Pathway Prep) High School	Included in the Charter School Fund
Westlake Charter School	Included in the Charter School Fund
Westlake Charter Middle School	Included in the Charter School Fund
Leroy Greene Charter School	Included in the Charter School Fund

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FIRST 5 REVENUES AND EXPENSES**  
**For the Year Ended June 30, 2014**

	<b><u>First 5 Grant*</u></b>
Revenues	
Other local sources	<u>\$ 318,648</u>
Expenditures:	
Certificated salaries	101,802
Classified salaries	115,853
Employee benefits	57,504
Books and supplies	18,223
Contract services and operating expenditures	6,298
Indirect costs	<u>18,968</u>
Total Expenditures	<u>318,648</u>
Net income	-
Fund balance, July 1, 2013	<u>-</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>

\*Revenues and expenses for the First 5 Grant are reflected in the District's General Fund. See page 23 of the financial statements for a complete presentation of the General Fund.

See accompanying notes to supplementary information.

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

G - Schedule of First 5 Revenues and Expenses

This schedule provides information about the First 5 Sacramento County Program.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT  
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees  
 Natomas Unified School District  
 Sacramento, California

**Report on Compliance with State Laws and Regulations**

We have audited Natomas Unified School District's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time	10	Yes
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding		
Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	4	Yes
Charter School Facility Grant Program	1	No, see below

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District does not have any Juvenile Court Schools, therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not offer a Before School Education and Safety Program; therefore, we did not perform any procedures relating to the Before School Education and Safety Program.

The District did not receive Charter School Facility Grant funding in the current year; therefore, we did not perform any procedures relating to the Charter School Facility Grant.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Natomas Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Natomas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.


We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Natomas Unified School District's compliance.

### ***Opinion on Compliance with State Laws and Regulations***

In our opinion, Natomas Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Natomas Unified School District had not complied with the state laws and regulations.

### ***Purpose of this Report***

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.

  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

INDEPENDENT AUDITOR'S 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*

Board of Trustees  
Natomas Unified School District  
Sacramento, 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 governmental activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Natomas Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Natomas Unified School District'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 Natomas Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Natomas Unified School District's internal control.

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.

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.

We did identify a deficiency in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2014-001.

## **Natomas Unified School District's Response to Findings**

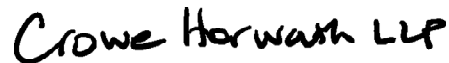
Management's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Natomas Unified School District'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 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 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.

  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE FIRST 5 SACRAMENTO COUNTY PROGRAM

Board of Trustees  
Natomas Unified School District  
Sacramento, California

**Report on Compliance with the First 5 Sacramento County Program**

We have audited the compliance of Natomas Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the First 5 Sacramento County Program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance on Natomas Unified School District's First 5 Sacramento County Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance referred to above that could have a direct and material effect on First 5 Sacramento County Program. An audit includes examining, on a test basis, evidence about Natomas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the First 5 Sacramento County Program. However, our audit does not provide a legal determination of Natomas Unified School District's compliance with those requirements.

***Opinion on the First 5 Sacramento County Program***

In our opinion, Natomas Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2014.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
Natomas Unified School District  
Sacramento, California

**Report on Compliance for Each Major Federal Program**

We have audited Natomas Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Natomas Unified School District's major federal programs for the year ended June 30, 2014. Natomas Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Natomas Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Natomas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Natomas Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Natomas Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of Natomas Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Natomas Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Natomas Unified School District's internal control over compliance.

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

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

### **Purpose of this Report**

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 the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 2, 2014

## **FINDINGS AND RECOMMENDATIONS**

**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A Program
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option
10.555	Child Nutrition: Schools Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

Type of auditor's report issued on compliance for state programs: Unmodified

**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2014-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the school district.

Condition

At H. Allen Hight and Heron School there is no evidence of approval of fundraisers.

At Two Rivers Elementary, there is no evidence of review of the bank statement or financial statements by the Principal.

At Leroy Greene Academy personnel at the school do not review the bank account details, as they do not have access.

Effect

There exists a risk that ASB funds could potentially be misappropriated.

Cause

Established internal controls have not been followed.

Fiscal Impact

Not determinable.

Recommendation

School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:

- All fundraisers should have evidence of approval by the Principal.
- Review of bank statements and financial statements should be documented.
- The site should have access to view account details.

Corrective Action Plan

The Business Services Department in coordination with the Schools Leadership and Support Department will schedule and provide additional guidance and oversight to district and school site staff in order to help ensure that established ASB procedures are followed at each school site and routinely reviewed to implement the above recommendations.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2014**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**NATOMAS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2014**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**NATOMAS UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**Year Ended June 30, 2014**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p>2013-01</p> <p>At Inderkum High School:</p> <ul style="list-style-type: none"> <li>• There is no formal review of the student store inventory counts to determine propriety as to character and quantities.</li> <li>• Profit and loss statements are not produced for the student store.</li> <li>• Evidence as to reconciliations being reviewed in a timely manner could not be obtained.</li> </ul> <p>At Natomas Middle School:</p> <ul style="list-style-type: none"> <li>• Evidence as to reconciliations being reviewed in a timely manner could not be obtained.</li> <li>• Evidence as to the approval of Fundraisers could not be obtained.</li> <li>• Sub-Receipt books were not tracked by the site office to ensure completeness of receipts being turned in.</li> </ul> <p>At Two Rivers, Witter Ranch, and H. Allen Hight Elementary:</p> <ul style="list-style-type: none"> <li>• Evidence as to reconciliations being reviewed in a timely manner could not be obtained.</li> <li>• Evidence as to the approval of Fundraisers could not be obtained.</li> </ul> <p>School sites should implement the proper control procedures in order to protect ASB funds from misappropriation.</p> <ul style="list-style-type: none"> <li>• Reconciliations of the bank accounts should be reviewed by the site principal in a timely manner.</li> <li>• Sub-receipts issued to clubs for outside sales should be track by the site office to ensure monies turned in are complete.</li> <li>• Fundraiser approval forms should be signed by the site principal or student council as evidence of approving the activity.</li> <li>• Profit and loss statements should be produced and reviewed for the Student Store.</li> </ul>	<p>Partially implemented.</p>	<p>See current year finding 2014-001.</p>

NATOMAS UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

Year Ended June 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2013-02 <ul style="list-style-type: none"><li>• At Witter Ranch Elementary School one student was improperly marked present for one day.</li><li>• At Inderkum High School one student was improperly marked present for two days.</li></ul> <p>We recommend that the attendance clerk reconciles attendance log with attendance records to ensure attendance is accurately recorded. In addition, we recommend that the District revise and resubmit P-2 and Annual Reports of Attendance.</p>	Implemented.	