

NATOMAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

NATOMAS UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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NATOMAS UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2015

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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, 2015, 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, 2015, 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in Notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

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 13 and the General Fund Budgetary Comparison Schedule, Charter School Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 57 to 63 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.

(Continued)

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 3, 2015 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 3, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2015

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, 2015. 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, liabilities, deferred inflows of resources and deferred outflows of resources. 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 2014, the District had 9,664 students that attended traditional (non-charter) schools, which is an increase of 173 students from the prior year CALPADS of 9,491.
- The average daily attendance (ADA), which much of the District’s revenue is based, was 9,222, an increase of 286 from 2013-14 ADA count of 8,936.



- The ratio of attendance to CALPADS enrollment was approximately 95.4%.
- The District's General Fund ending cash balance for June 30, 2015 was \$15.0 million.
- The District's Food Services program had revenues over expenditures at \$119,799.
- The District's LCFF base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3rd grades at \$7,011/ADA; Grades 4th – 6th at \$7,116/ADA; Grades 7th - 8th grade at \$7,328/ADA; and Grades 9th – 12th at \$8,491/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 63.58%.
- The district incurred expenditures from the District's Special Revenue/Reserve Funds (non-general/charter funds) for the following major capital projects:



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

| Assets | Government-Wide Statement of Net Position | | |
|---|--|-----------------------|------------------------|
| | June 30, 2015 | June 30, 2014 | Change |
| Current and other assets | \$ 72,854,401 | \$ 75,170,742 | \$ (2,316,341) |
| Capital assets, net of depreciation | 385,568,733 | 389,993,256 | (4,424,523) |
| Total Assets | 458,423,134 | 465,163,998 | (6,740,864) |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pensions | 7,958,864 | - | 7,958,864 |
| Deferred outflows - refunding of debt | 2,346,347 | 724,834 | 1,621,513 |
| Total Deferred Outflows | 10,305,211 | 724,834 | 9,580,377 |
| Liabilities | | | |
| Current liabilities | 19,981,943 | 15,182,180 | 4,799,763 |
| Long-term obligations | 267,694,984 | 192,974,411 | 74,720,573 |
| Total Liabilities | 287,676,927 | 208,156,591 | 79,520,336 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pensions | 20,763,000 | - | 20,763,000 |
| Net Position | | | |
| Invested in capital assets, net of related debt | 217,879,793 | 215,530,122 | 2,349,671 |
| Restricted | 37,053,216 | 37,482,731 | (429,515) |
| Unrestricted | (94,644,591) | 4,719,388 | (99,363,979) |
| Total Net Position | \$ 160,288,418 | \$ 257,732,241 | \$ (97,443,823) |

Total Government Wide Net Position decreased by approximately \$97 Million during the 2014/15 fiscal year. A portion of the decrease in Net Position was due to expenditures within Fund 25 (Capital Facilities Fund) and Fund 35 (County School Facilities Fund) relating to the completion of Natomas Gateways Middle School project, Westlake Charter parking lot, and the added work in progress of new classrooms, portables and security systems.

In addition, a large portion of the decrease in Net Position is because 2014/15 is the first year that includes implementation of GASB 68. The Governmental Accounting Standards Board approved GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and



local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

It should also 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 26% to approximately \$148.9 Million. General revenues accounted for most of the District's revenue, contributing approximately 76% 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 30% to \$155 Million, of which 81% 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 Table 2.



Table 2 – Change in Net Position

| Revenues | Government-Wide Statement of Activities | | | |
|--|---|-----------------------|------------------------|-------------|
| | June 30, 2015 | June 30, 2014 | Change | |
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 915,583 | \$ 947,235 | \$ (31,652) | |
| Operating grants and contributions | 34,997,280 | 18,127,542 | 16,869,738 | |
| Capital grants and contributions | 338 | 232 | 106 | |
| General revenues: | | | | |
| Taxes levied for general purposes | 17,781,188 | 16,085,780 | 1,695,408 | |
| Taxes levied for debt service | 12,891,777 | 13,387,974 | (496,197) | |
| Taxes levied for other specific purposes | 9,282 | 1,866 | 7,416 | |
| Unrestricted federal and state aid | 80,610,796 | 67,763,819 | 12,846,977 | |
| Interest and investment earnings | 29,680 | (408) | 30,088 | |
| Interagency revenues | 405,931 | 280,529 | 125,402 | |
| Other general revenue | 1,223,446 | 1,627,852 | (404,406) | |
| Total Revenues | \$ 148,865,301 | \$ 118,222,421 | \$ 30,642,880 | 26% |
| Expenses | | | | |
| Instruction-related | \$ 112,670,514 | \$ 83,716,611 | \$ 28,953,903 | |
| Student support services | 12,684,729 | 9,562,174 | 3,122,555 | |
| Administration | 8,533,923 | 6,549,943 | 1,983,980 | |
| Maintenance and operations | 11,354,320 | 10,381,635 | 972,685 | |
| Interest on long-term liabilities | 8,681,706 | 8,849,831 | (168,125) | |
| Other | 1,750,991 | 1,119,148 | 631,843 | |
| Total Expenses | \$ 155,676,183 | \$ 120,179,342 | \$ 35,496,841 | 30% |
| Net Position | | | | |
| Change in net position | (6,810,882) | (1,956,921) | (4,853,961) | |
| Net Position, Beginning of the Year | 257,732,241 | 259,689,162 | (1,956,921) | |
| Cummulative effect of GASB 68 | (90,632,941) | - | (90,632,941) | |
| Net Position, Beginning of the Year (restated) | 167,099,300 | 259,689,162 | - | |
| Net Position, End of the Year | \$ 160,288,418 | \$ 257,732,241 | \$ (97,443,823) | -61% |

As illustrated above, both revenues and expenses increased from prior year. However, due to implementation of GASB 68, the District’s beginning net position for fiscal year ending June 30, 2014 had to be restated to \$167.1 million from \$257.7 million. The cumulative effect of GASB 68 for 2014/15 is \$90.6 million which resulted in an overall decrease of approximately \$97.4 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 \$155 Million and \$120 Million for June 30, 2015 and 2014, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$30 Million and \$29 Million



or June 30, 2015 and 2014, 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 | |
|----------------------------|------------------------|----------------------|---------------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Instruction | \$ 96,391,745 | \$ 71,231,212 | \$ 72,349,558 | \$ 61,848,288 |
| Instruction related | 16,278,769 | 12,485,399 | 13,419,548 | 10,762,245 |
| Pupil services | 12,684,729 | 9,562,174 | 5,811,033 | 4,239,069 |
| Administration | 8,533,923 | 6,549,943 | 7,299,763 | 5,423,422 |
| Maintenance and operations | 11,354,320 | 10,381,635 | 11,309,593 | 8,961,036 |
| Interest on long-term debt | 8,681,706 | 8,849,831 | 8,681,706 | 8,849,831 |
| Other | 1,750,991 | 1,119,148 | 891,781 | 1,020,442 |
| Totals | \$155,676,183 | \$120,179,342 | \$119,762,982 | \$101,104,333 |

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As the District completed the school year, its funds reported a combined fund balance of \$65.7 Million, which is a net decrease of \$3.6 million from the prior year.

Table 4 – Governmental Funds

| | Balances and Activity | | |
|-----------------------------------|-----------------------|-----------------------|----------------------|
| | June 30, 2014 | Net Change | June 30, 2015 |
| General | \$ 16,793,249 | \$ (4,714,733) | \$ 12,078,516 |
| Charter Schools Fund | 11,550,646 | 4,117,270 | 15,667,915 |
| Building Fund | 22,729,574 | (1,933,976) | 20,795,598 |
| Bond Interest and Redemption Fund | 10,758,339 | 1,015,462 | 11,773,801 |
| All Non-Major Funds | 7,376,270 | (2,054,755) | 5,321,515 |
| Total Governmental Funds | \$ 69,208,078 | \$ (3,570,731) | \$ 65,637,345 |



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 \$4.4 million completion of Natomas Gateways Middle School project, Westlake Charter parking lot, and the added work in progress of new classrooms, portables and security systems as well as accumulated depreciation occurring at a higher rate than acquisitions and improvements.

Table 5 – Capital Assets at Year-End

| | Governmental Activities | | |
|----------------------------------|--------------------------------|-----------------------|-----------------------|
| | 2015 | 2014 | Net Change |
| Land | \$ 66,639,259 | \$ 66,639,259 | \$ - |
| Improvement of Sites | 7,819,006 | 7,057,817 | 761,189 |
| Buildings | 292,446,190 | 299,439,738 | (6,993,548) |
| Equipment | 3,227,809 | 3,242,023 | (14,214) |
| Construction in Progress | 15,436,469 | 13,614,419 | 1,822,050 |
| Total Capital Assets, net | \$ 385,568,733 | \$ 389,993,256 | \$ (4,424,523) |

Outstanding Debt at Year-End

As illustrated below, total long-term liabilities increased by approximately \$94 million, net. This increase is related to the implementation of GASB 68, 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

| | Governmental Activities | | |
|---|-------------------------|-----------------------|----------------------|
| | 2015 | 2014 | Net Change |
| General Obligation Bonds | \$ 168,600,848 | \$ 177,143,027 | \$ 8,542,179 |
| Accreted Interest | 14,794,465 | 12,804,354 | 1,990,111 |
| Unamortized Premiums on Issuances of GO Bonds | 7,064,151 | 2,323,549 | 4,740,602 |
| Net Pension Liability | 78,115,000 | - | 78,115,000 |
| Net OPEB | 7,875,680 | 6,851,052 | 1,024,628 |
| Compensated Absences | 170,627 | 170,026 | 601 |
| Capital Leases | | 161,408 | (161,408) |
| Charter School Loan | 50,000 | 100,000 | (50,000) |
| Total Outstanding Debt | \$ 276,670,771 | \$ 199,553,416 | \$ 94,201,713 |

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, 2015

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$ 68,734,609 |
| Receivables | 3,963,532 |
| Prepaid expenses | 98,553 |
| Stores inventory | 57,707 |
| Non-depreciable capital assets (Note 4) | 82,075,728 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>303,493,005</u> |
| Total assets | <u>458,423,134</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - pensions (Notes 7 and 8) | 7,958,864 |
| Deferred outflows of resources - debt refunding | <u>2,346,347</u> |
| Total deferred outflows | <u>10,305,211</u> |
| LIABILITIES | |
| Accounts payable | 10,697,205 |
| Unearned revenue | 308,951 |
| Long-term liabilities (Note 5): | |
| Due within one year | 8,975,787 |
| Due after one year | <u>267,694,984</u> |
| Total liabilities | <u>287,676,927</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions (Notes 7 and 8) | <u>20,763,000</u> |
| NET POSITION | |
| Net investment in capital assets | 217,879,793 |
| Restricted (Note 6) | 37,053,216 |
| Unrestricted | <u>(94,644,591)</u> |
| Total net position | <u>\$ 160,288,418</u> |

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|-----------------------|----------------------------|--|--|--|
| | Expenses | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction | \$ 96,391,745 | \$ - | \$ 24,041,849 | \$ 338 | \$ (72,349,558) |
| Instruction-related services: | | | | | |
| Supervision and administration | 3,594,614 | - | 1,584,055 | - | (2,010,559) |
| Library, media and technology | 1,337,280 | - | 5,419 | - | (1,331,861) |
| School site administration | 11,346,875 | - | 1,269,747 | - | (10,077,128) |
| Pupil services: | | | | | |
| Home-to-school transportation | 1,889,264 | - | 4,141 | - | (1,885,123) |
| Food services | 4,518,125 | 862,844 | 3,983,260 | - | 327,979 |
| All other pupil services | 6,277,340 | - | 2,023,451 | - | (4,253,889) |
| General administration: | | | | | |
| Centralized data processing | 1,701,882 | - | 198,938 | - | (1,502,944) |
| All other general administration | 6,832,041 | 47,384 | 987,838 | - | (5,796,819) |
| Plant services | 11,354,320 | 5,355 | 39,372 | - | (11,309,593) |
| Ancillary services | 648,913 | - | 35,890 | - | (613,023) |
| Community services | 20,697 | - | 20,160 | - | (537) |
| Other outgo | 1,081,381 | - | 803,160 | - | (278,221) |
| Interest on long-term liabilities | 8,681,706 | - | - | - | (8,681,706) |
| | <u>\$ 155,676,183</u> | <u>\$ 915,583</u> | <u>\$ 34,997,280</u> | <u>\$ 338</u> | <u>(119,762,982)</u> |
| Total governmental activities | | | | | |
| General revenues: | | | | | |
| Taxes and subventions: | | | | | |
| | | | | | 17,781,188 |
| Taxes levied for general purposes | | | | | 12,891,777 |
| Taxes levied for debt service | | | | | 9,282 |
| Taxes levied for other specific purposes | | | | | 80,610,796 |
| Federal and state aid not restricted to specific purposes | | | | | 29,680 |
| Interest and investment earnings | | | | | 1,223,446 |
| Miscellaneous | | | | | 405,931 |
| Interagency revenues | | | | | <u>112,952,100</u> |
| | | | | | |
| | | | | | (6,810,882) |
| | | | | | 257,732,241 |
| | | | | | <u>(90,632,941)</u> |
| | | | | | <u>167,099,300</u> |
| | | | | | <u>\$ 160,288,418</u> |

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

| | General Fund | Charter School Fund | Building Fund | Bond Interest and Redemption Fund | All Non-Major Funds | Total Governmental Funds |
|--------------------------------------|----------------------|---------------------------|----------------------|--|---------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments: | | | | | | |
| Cash in County Treasury | \$ 15,460,424 | \$ 15,955,552 | \$ 14,135,426 | \$ 11,761,497 | \$ 4,854,516 | \$ 62,167,415 |
| Cash on hand and in banks | 200 | 1,200 | - | - | 2,500 | 3,900 |
| Cash in revolving fund | 20,000 | 35,000 | - | - | - | 55,000 |
| Cash with Fiscal Agent | - | 219,543 | 6,288,751 | - | - | 6,508,294 |
| Receivables | 2,277,617 | 591,116 | 21,472 | 20,254 | 1,053,073 | 3,963,532 |
| Prepaid expenditures | 52,409 | 46,144 | - | - | - | 98,553 |
| Due from other funds | 899,204 | 201,017 | 496,669 | - | 119,106 | 1,715,996 |
| Stores inventory | - | - | - | - | 57,707 | 57,707 |
| Total assets | <u>\$ 18,709,854</u> | <u>\$ 17,049,572</u> | <u>\$ 20,942,318</u> | <u>\$ 11,781,751</u> | <u>\$ 6,086,902</u> | <u>\$ 74,570,397</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 6,129,128 | \$ 483,845 | \$ 105,592 | \$ - | \$ 189,540 | \$ 6,908,105 |
| Unearned revenue | 301,001 | - | - | 7,950 | - | 308,951 |
| Due to other funds | 201,209 | 897,812 | 41,128 | - | 575,847 | 1,715,996 |
| Total liabilities | <u>6,631,338</u> | <u>1,381,657</u> | <u>146,720</u> | <u>7,950</u> | <u>765,387</u> | <u>8,933,052</u> |
| Fund balances: | | | | | | |
| Nonspendable | 72,409 | 81,144 | - | - | 57,707 | 211,260 |
| Restricted | 2,741,925 | 15,586,771 | 20,795,598 | 11,773,801 | 5,263,808 | 56,161,903 |
| Assigned | 5,996,582 | - | - | - | - | 5,996,582 |
| Unassigned | 3,267,600 | - | - | - | - | 3,267,600 |
| Total fund balances | <u>12,078,516</u> | <u>15,667,915</u> | <u>20,795,598</u> | <u>11,773,801</u> | <u>5,321,515</u> | <u>65,637,345</u> |
| Total liabilities and fund balances | <u>\$ 18,709,854</u> | <u>\$ 17,049,572</u> | <u>\$ 20,942,318</u> | <u>\$ 11,781,751</u> | <u>\$ 6,086,902</u> | <u>\$ 74,570,397</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, 2015

| | | |
|--|---------------------|-----------------------|
| Total fund balances - Governmental Funds | \$ 65,637,345 | |
| 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 \$478,292,830 and the accumulated depreciation is \$92,724,097 (Note 4). | | |
| | | 385,568,733 |
| 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, 2015 consisted of (Note 5): | | |
| General Obligation Bonds | \$ (168,600,848) | |
| Accreted interest | (14,794,465) | |
| Unamortized Premium on issuance of General Obligation Bonds | (7,064,151) | |
| Charter school loans | (50,000) | |
| Other postemployment benefits (Note 9) | (7,875,680) | |
| Net pension liability (Notes 7 and 8) | (78,115,000) | |
| Compensated absences | <u>(170,627)</u> | |
| | | (276,670,771) |
| 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. | | |
| | | 2,346,347 |
| In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8). | | |
| Deferred outflows of resources relating to pensions | \$ 7,958,864 | |
| Deferred inflows of resources relating to pensions | <u>(20,763,000)</u> | |
| | | (12,804,136) |
| 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: | | |
| | | <u>(3,789,100)</u> |
| Total net position - governmental activities | | <u>\$ 160,288,418</u> |

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, 2015

| | General Fund | Charter School Fund | Building Fund | Bond Interest and Redemption Fund | All Non-Major Funds | Total Governmental Funds |
|--|----------------------|---------------------------|----------------------|--|---------------------------|--------------------------------|
| Revenues: | | | | | | |
| Local Control Funding Formula (LCFF): | | | | | | |
| State apportionment | \$ 55,705,876 | \$ 21,851,524 | \$ - | \$ - | \$ - | \$ 77,557,400 |
| Local sources | <u>12,519,242</u> | <u>5,262,574</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>17,781,816</u> |
| Total LCFF | <u>68,225,118</u> | <u>27,114,098</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>95,339,216</u> |
| Federal sources | 4,775,535 | 99,956 | - | - | 3,936,473 | 8,811,964 |
| Other state sources | 5,629,923 | 1,025,815 | - | 107,825 | 285,152 | 7,048,715 |
| Other local sources | <u>4,990,810</u> | <u>1,763,247</u> | <u>23,890</u> | <u>12,765,191</u> | <u>1,040,006</u> | <u>20,583,144</u> |
| Total revenues | <u>83,621,386</u> | <u>30,003,116</u> | <u>23,890</u> | <u>12,873,016</u> | <u>5,261,631</u> | <u>131,783,039</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Certificated salaries | 42,929,798 | 13,025,172 | - | - | 1,253 | 55,956,223 |
| Classified salaries | 15,079,869 | 2,471,546 | - | - | 1,531,976 | 19,083,391 |
| Employee benefits | 16,962,915 | 3,991,311 | - | - | 477,731 | 21,431,957 |
| Books and supplies | 4,481,862 | 1,588,292 | 3,225 | - | 2,670,901 | 8,744,280 |
| Contract services and operating expenditures | 8,839,178 | 3,864,181 | 844,349 | - | 241,220 | 13,788,928 |
| Other outgo | 1,045,428 | - | - | 2,202 | - | 1,047,630 |
| Capital outlay | 58,910 | 83,189 | 399,180 | - | 3,443,307 | 3,984,586 |
| Debt service: | | | | | | |
| Principal retirement | - | 211,408 | - | 6,112,179 | - | 6,323,587 |
| Interest | <u>-</u> | <u>8,381</u> | <u>1,669,835</u> | <u>5,743,173</u> | <u>-</u> | <u>7,421,389</u> |
| Total expenditures | <u>89,397,960</u> | <u>25,243,480</u> | <u>2,916,589</u> | <u>11,857,554</u> | <u>8,366,388</u> | <u>137,781,971</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(5,776,574)</u> | <u>4,759,636</u> | <u>(2,892,699)</u> | <u>1,015,462</u> | <u>(3,104,757)</u> | <u>(5,998,932)</u> |
| Other financing sources (uses): | | | | | | |
| Interfund transfers in | 1,061,841 | 162,000 | 25,036 | - | 1,522,759 | 2,771,636 |
| Interfund transfers out | - | (804,367) | (1,494,512) | - | (472,757) | (2,771,636) |
| Proceeds from the issuance of long-term liabilities | - | - | 52,530,000 | - | - | 52,530,000 |
| Premium related to issuance of long-term liabilities | - | - | 4,858,199 | - | - | 4,858,199 |
| Payment to refunding escrow | <u>-</u> | <u>-</u> | <u>(54,960,000)</u> | <u>-</u> | <u>-</u> | <u>(54,960,000)</u> |
| Total other financing sources (uses) | <u>1,061,841</u> | <u>(642,367)</u> | <u>958,723</u> | <u>-</u> | <u>1,050,002</u> | <u>2,428,199</u> |
| Change in fund balances | (4,714,733) | 4,117,269 | (1,933,976) | 1,015,462 | (2,054,755) | (3,570,733) |
| Fund balances, July 1, 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> |
| Fund balances, June 30, 2015 | <u>\$ 12,078,516</u> | <u>\$ 15,667,915</u> | <u>\$ 20,795,598</u> | <u>\$ 11,773,801</u> | <u>\$ 5,321,515</u> | <u>\$ 65,637,345</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, 2015

| | |
|---|----------------|
| Net change in fund balances - Total Governmental Funds | \$ (3,570,733) |
| 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). | \$ 4,323,828 |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4). | (8,748,351) |
| 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). | 6,323,587 |
| Payments made to refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5). | 54,960,000 |
| 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). | (52,530,000) |
| 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). | (4,740,602) |
| Accreted interest is an expense that is not reported in the governmental funds (Note 5). | (1,990,111) |
| 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. | (1,148,589) |
| In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: | (286,195) |
| 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. | 1,621,513 |

(Continued).

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, 2015

| | | |
|--|--------------------|-----------------------|
| 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). | (601) | |
| 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 9). | <u>(1,024,628)</u> | <u>(3,240,149)</u> |
| Change in net position of governmental activities | | <u>\$ (6,810,882)</u> |

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2015

| | <u>Trust</u> | <u>Agency</u> |
|--------------------------------|----------------------------------|------------------------------|
| | Scholarship Trust <u>Fund</u> | Student Body <u>Funds</u> |
| ASSETS | | |
| Cash and investments (Note 2): | | |
| Cash in County Treasury | \$ 26,108 | \$ - |
| Cash on hand and in banks | - | 276,884 |
| Receivables | <u>52</u> | <u>-</u> |
| Total assets | <u>26,160</u> | <u>276,884</u> |
| LIABILITIES | | |
| Due to student groups | <u>-</u> | <u>276,884</u> |
| NET POSITION | | |
| Restricted (Note 6) | <u><u>\$ 26,160</u></u> | <u><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, 2015

| | <u>Scholarship Trust Fund</u> |
|---|-----------------------------------|
| Additions: | |
| Other local sources | \$ 11,052 |
| Deductions: | |
| Books and supplies | 750 |
| Contract services and operating expenditures | <u>4,400</u> |
| Total deductions | <u>5,150</u> |
| Change in net position | 5,902 |
| Net position, July 1, 2014 | <u>20,258</u> |
| Net position, June 30, 2015 | <u><u>\$ 26,160</u></u> |

See accompanying notes to financial statements.

NOTE 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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

Building Fund:

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

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund 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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Student Body Fund is an agency fund 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 and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

Stores Inventory: Inventories in the Cafeteria Fund are valued at average 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 has recognized a deferred loss on refunding of debt, 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, 2015 totaled \$48,322. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position includes 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 has recognized a deferred inflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

| | <u>STRP</u> | <u>PERF B</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| Deferred outflows of resources | <u>\$ 4,901,009</u> | <u>\$ 3,057,855</u> | <u>\$ 7,958,864</u> |
| Deferred inflows of resources | <u>\$ 15,374,000</u> | <u>\$ 5,389,000</u> | <u>\$ 20,763,000</u> |
| Net pension liability | <u>\$ 62,433,000</u> | <u>\$ 15,682,000</u> | <u>\$ 78,115,000</u> |
| Pension expense | <u>\$ 6,306,817</u> | <u>\$ 1,659,242</u> | <u>\$ 7,966,059</u> |

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences benefits in the amount of \$170,627 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 STRP and PERF B employees, when the employee retires.

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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

- 1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues and state programs represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. 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 restricted for scholarships. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
- 3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

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.

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, 2015, the District had no committed fund balances.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, 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.

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, 2015, the District has established a minimum fund balance policy of 9%. At June 30, 2015, 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 when the commitments are paid. All encumbrances are liquidated at 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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB 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. GASB 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 financial period ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by \$90,632,941 because of the recognition of the net pension liability and deferred outflows of resources.

In November 2013, the GASB issued GASB 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 GASB 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 GASB 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. GASB 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 GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The Statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements, however it is expected to be significant.

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 are reported at fair value and consisted of the following:

| | <u>Governmental Funds</u> | <u>Fiduciary Activities</u> |
|---------------------------|-------------------------------|---------------------------------|
| Pooled Funds: | | |
| Cash in County Treasury | <u>\$ 62,167,415</u> | <u>\$ 26,108</u> |
| Deposits: | | |
| Cash on hand and in banks | 3,900 | 276,884 |
| Cash in revolving fund | <u>55,000</u> | <u>-</u> |
| Total deposits | <u>58,900</u> | <u>276,884</u> |
| Investments: | | |
| Cash with Fiscal Agent | <u>6,508,294</u> | <u>-</u> |
| Total cash | <u>\$ 68,734,609</u> | <u>\$ 302,992</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, 2015, 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, 2015, the carrying amount of the District's accounts were \$335,784 and the bank balance was \$385,594, all of which was insured.

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, 2015, the District had no significant interest rate risk related to cash and investments held.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2015, the District had no concentration of credit risk.

NOTE 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, 2015 were as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------|----------------------------------|-------------------------------|
| Major Funds: | | |
| General | \$ 899,204 | \$ 201,209 |
| Charter School | 201,017 | 897,812 |
| Building | 496,669 | 41,128 |
| Non-Major Fund: | | |
| Child Development | - | 1,391 |
| Cafeteria | 192 | - |
| Capital Facilities | 49,539 | 28,301 |
| County School Facilities | <u>69,375</u> | <u>546,155</u> |
| Totals | <u>\$ 1,715,996</u> | <u>\$ 1,715,996</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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 2014-2015 fiscal year were as follows:

| | |
|--|----------------------------|
| Transfer from the Charter School Fund to the General Fund for transfer of special education fees. | \$ 669,250 |
| Transfer from the Charter School Fund to the General Fund for indirect costs. | 135,117 |
| Transfer from the Building Fund to the County School Facilities Fund for project at STAR Academy. | 1,494,512 |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs. | 257,474 |
| Transfer from the Capital Facilities Fund to the Charter School Fund for East Commerce lease. | 162,000 |
| Transfer from the Capital Facilities Fund to the Building Fund for project management costs. | 25,036 |
| Transfer from the Capital Facilities Fund to the County School Facilities Fund for relocation of classrooms at Heron School. | <u>28,247</u> |
| | <u><u>\$ 2,771,636</u></u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

| | Balance July 1, <u>2014</u> | Transfers and <u>Additions</u> | Transfers and <u>Deductions</u> | Balance June 30, <u>2015</u> |
|--------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| <u>Governmental Activities</u> | | | | |
| Non-depreciable: | | | | |
| Land | \$ 66,639,259 | \$ - | \$ - | \$ 66,639,259 |
| Work-in-process | 13,614,419 | 2,147,718 | 325,668 | 15,436,469 |
| Depreciable: | | | | |
| Buildings | 371,746,678 | 662,589 | - | 372,409,267 |
| Site improvements | 10,245,602 | 1,257,095 | - | 11,502,697 |
| Equipment | <u>11,723,044</u> | <u>582,094</u> | <u>-</u> | <u>12,305,138</u> |
| Totals, at cost | <u>473,969,002</u> | <u>4,649,496</u> | <u>325,668</u> | <u>478,292,830</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (72,306,940) | (7,656,137) | - | (79,963,077) |
| Site improvements | (3,187,785) | (495,906) | - | (3,683,691) |
| Equipment | <u>(8,481,021)</u> | <u>(596,308)</u> | <u>-</u> | <u>(9,077,329)</u> |
| Total accumulated depreciation | <u>(83,975,746)</u> | <u>(8,748,351)</u> | <u>-</u> | <u>(92,724,097)</u> |
| Capital assets, net | <u>\$ 389,993,256</u> | <u>\$ (4,098,855)</u> | <u>\$ 325,668</u> | <u>\$ 385,568,733</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------------|---------------------|
| Instruction | \$ 8,631,646 |
| Instructional supervision | 2,630 |
| Food services | 36,618 |
| Plant services | 65,384 |
| All other general administration | <u>12,073</u> |
| Total depreciation expense | <u>\$ 8,748,351</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 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:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 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 | 705,000 | 95,646 | 800,646 |
| 2021-2022 | <u>1,025,000</u> | <u>61,434</u> | <u>1,086,434</u> |
| | <u>\$ 6,560,000</u> | <u>\$ 1,133,954</u> | <u>\$ 7,693,954</u> |

Series 2004B:

On August 1, 2004, the District issued General Obligation Bonds, Election of 2002, Series 2004B in the amount of \$30,584,687, consisting of \$23,705,000 current interest bonds and \$6,879,687 of capital appreciation bonds, 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 2023. With the issuance of the 2013 General Obligation Refunding Bonds in July 2013, \$4,950,000 of the Series 2004B current interest bonds were refunded and were paid in full as of June 30, 2015.

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ 799,856 | \$ 800,144 | \$ 1,600,000 |
| 2020 | 794,756 | 895,244 | 1,690,000 |
| 2021-2024 | <u>2,331,775</u> | <u>3,318,225</u> | <u>5,650,000</u> |
| | <u>\$ 3,926,387</u> | <u>\$ 5,013,613</u> | <u>\$ 8,940,000</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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> |
|-------------------------------|----------------------|----------------------|----------------------|
| 2016 | \$ 1,181,006 | \$ 1,467,575 | \$ 2,648,581 |
| 2017 | 1,423,063 | 1,467,575 | 2,890,638 |
| 2018 | 1,652,591 | 1,467,575 | 3,120,166 |
| 2019 | 1,765,620 | 1,467,575 | 3,233,195 |
| 2020 | 2,043,492 | 1,467,575 | 3,511,067 |
| 2021-2025 | 7,630,725 | 7,337,875 | 14,968,600 |
| 2026-2030 | 9,342,964 | 7,301,775 | 16,644,739 |
| 2031-2033 | <u>27,600,000</u> | <u>2,562,688</u> | <u>30,162,688</u> |
| | <u>\$ 52,639,461</u> | <u>\$ 24,540,213</u> | <u>\$ 77,179,674</u> |

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> |
|-------------------------------|----------------------|---------------------|----------------------|
| 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>\$ 10,345,000</u> | <u>\$ 1,222,430</u> | <u>\$ 11,567,430</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (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> |
|-------------------------------|----------------------|---------------------|----------------------|
| 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 | 1,100,000 | 448,100 | 1,548,100 |
| 2021-2025 | 6,755,000 | 1,641,200 | 8,396,200 |
| 2026-2028 | <u>4,895,000</u> | <u>284,900</u> | <u>5,179,900</u> |
| | <u>\$ 16,440,000</u> | <u>\$ 4,464,200</u> | <u>\$ 20,904,200</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%. As of June 30, 2015, no amounts of the refunded bonds were outstanding.

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|---------------------|----------------------|
| 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 | 1,330,000 | 927,950 | 2,257,950 |
| 2021-2025 | 8,880,000 | 3,672,400 | 12,552,400 |
| 2026-2029 | <u>11,740,000</u> | <u>1,099,425</u> | <u>12,839,425</u> |
| | <u>\$ 26,160,000</u> | <u>\$ 9,786,025</u> | <u>\$ 35,946,025</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Refunding bonds, 2014:

In December 2014 the District issued \$52,530,000 of 2014 General Obligation Refunding Bonds to refund a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2006 Bonds and to pay costs of issuing the Refunding Bonds. The Bonds mature in varying amounts through August 2030 with interest rates from 1.0% to 5.0%. As of June 30, 2015, no amounts of the refunded bonds were outstanding.

| Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|----------------------|----------------------|
| 2016 | \$ 1,325,000 | \$ 2,096,456 | \$ 3,421,456 |
| 2017 | 555,000 | 2,049,456 | 2,604,456 |
| 2018 | 580,000 | 2,032,681 | 2,612,681 |
| 2019 | 585,000 | 2,026,856 | 2,611,856 |
| 2020 | 590,000 | 2,009,181 | 2,599,181 |
| 2021-2025 | 15,350,000 | 8,304,406 | 23,654,406 |
| 2026-2030 | 31,075,000 | 3,205,828 | 34,280,828 |
| 2031 | <u>2,470,000</u> | <u>40,138</u> | <u>2,510,138</u> |
| | <u>\$ 52,530,000</u> | <u>\$ 21,765,002</u> | <u>\$ 74,295,002</u> |

Although the advance refundings resulted in the recognition of an accounting loss of \$1,669,835 for the year ended June 30, 2015, the District in effect reduced its aggregate debt service payments by \$15,397,076 over the next 16 years and obtained an economic gain of \$9,590,991.

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

| | |
|--|----------------------|
| Old debt service cash flows | \$ 89,916,868 |
| New debt service cash flows | <u>74,519,792</u> |
| Total cash flow difference | <u>\$ 15,397,076</u> |
| Present value of old debt service cash flows | \$ 66,392,378 |
| Present value of new debt service cash flows | <u>56,801,387</u> |
| Economic gain | <u>\$ 9,590,991</u> |

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> |
|-------------------------------|------------------|-----------------|------------------|
| 2016 | <u>\$ 50,000</u> | <u>\$ 137</u> | <u>\$ 50,137</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

| | Balance July 1, 2014 <u>as Restated</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, 2015 | Amounts Due Within One Year |
|--|---|----------------------|----------------------|-----------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| General Obligation Bonds | \$ 177,143,027 | \$ 52,530,000 | \$ 61,072,179 | \$ 168,600,848 | \$ 7,841,006 |
| Accreted interest | 12,804,354 | 2,127,932 | 137,821 | 14,794,465 | 498,994 |
| Premium on issuance of General Obligation Bonds | 2,323,549 | 4,858,199 | 117,597 | 7,064,151 | 415,160 |
| Capitalized lease obligations | 161,408 | - | 161,408 | - | - |
| Charter school loans | 100,000 | - | 50,000 | 50,000 | 50,000 |
| Net OPEB liability (Note 9) | 6,851,052 | 1,622,326 | 597,698 | 7,875,680 | - |
| Net pension liability (Notes 7 and 8) | 96,218,000 | - | 18,103,000 | 78,115,000 | - |
| Compensated absences | <u>170,026</u> | <u>601</u> | <u>-</u> | <u>170,627</u> | <u>170,627</u> |
| | <u>\$ 295,771,416</u> | <u>\$ 61,139,058</u> | <u>\$ 80,239,703</u> | <u>\$ 276,670,771</u> | <u>\$ 8,975,787</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. Payments on the Charter school loans are made from the Charter School Fund. Payments on net OPEB liability, net pension liability and compensated absences are made from the fund for which the related employee worked.

NOTE 6 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

| | <u>Governmental Activities</u> | <u>Fiduciary Funds</u> |
|---|------------------------------------|----------------------------|
| Restricted for unspent categorical program revenues and state programs | \$ 3,918,564 | \$ - |
| Restricted for special revenues | 17,571,526 | - |
| Restricted for debt service | 11,773,801 | - |
| Restricted for capital projects | 3,789,325 | - |
| Restricted for scholarships | <u>-</u> | <u>26,160</u> |
| Total restricted net position | <u>\$ 37,053,216</u> | <u>\$ 26,160</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 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 expenditures | 52,409 | 46,144 | - | - | - | 98,553 |
| Stores inventory | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>57,707</u> | <u>57,707</u> |
| Subtotal nonspendable | <u>72,409</u> | <u>81,144</u> | <u>-</u> | <u>-</u> | <u>57,707</u> | <u>211,260</u> |
| Restricted: | | | | | | |
| Unspent categorical revenues | 2,741,925 | 1,176,639 | - | - | - | 3,918,564 |
| Capital projects | - | - | 20,795,598 | - | 3,417,904 | 24,213,502 |
| Special revenues | - | 14,410,132 | - | - | 1,845,904 | 16,256,036 |
| Debt service | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,773,801</u> | <u>-</u> | <u>11,773,801</u> |
| Subtotal restricted | <u>2,741,925</u> | <u>15,586,771</u> | <u>20,795,598</u> | <u>11,773,801</u> | <u>5,263,808</u> | <u>56,161,903</u> |
| Assigned: | | | | | | |
| Stabilization arrangements | <u>5,996,582</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,996,582</u> |
| Unassigned: | | | | | | |
| Designated for economic uncertainty | <u>3,267,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,267,600</u> |
| Total fund balances | <u>\$ 12,078,516</u> | <u>\$ 15,667,915</u> | <u>\$ 20,795,598</u> | <u>\$ 11,773,801</u> | <u>5,321,515</u> | <u>\$ 65,637,345</u> |

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u> | <u>Total</u> |
|-----------------------|-------------------|--|--------------|
| July 01, 2014 | 8.25% | 0.63% | 8.88% |
| July 01, 2015 | 8.25% | 2.48% | 10.73% |
| July 01, 2016 | 8.25% | 4.33% | 12.58% |
| July 01, 2017 | 8.25% | 6.18% | 14.43% |
| July 01, 2018 | 8.25% | 8.03% | 16.28% |
| July 01, 2019 | 8.25% | 9.88% | 18.13% |
| July 01, 2020 | 8.25% | 10.85% | 19.10% |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

The District contributed \$4,901,009 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

| <u>Effective Date</u> | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding</u> | <u>Total State Appropriation to DB Program</u> |
|--------------------------------|------------------|--|---------------------|--|
| July 01, 2014 | 2.017% | 1.437% | 2.50% | 5.954% |
| July 01, 2015 | 2.017% | 2.874% | 2.50% | 7.391% |
| July 01, 2016 | 2.017% | 4.311% | 2.50% | 8.828% |
| July 01, 2017 to June 30, 2046 | 2.017% | 4.311%* | 2.50% | 8.828%* |
| July 01, 2046 and thereafter | 2.017% | * | 2.50% | 4.571%* |

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|------------------------------|
| District’s proportionate share of the net pension liability | \$ 62,433,000 |
| State’s proportionate share of the net pension liability associated with the District | <u>37,700,000</u> |
| Total | <u>\$ 100,133,000</u> |

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District’s proportion was 0.171 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$6,306,817 and revenue of \$2,479,498 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net differences between projected and actual earnings on investments | - | 15,374,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | - |
| Contributions made subsequent to measurement date | <u>4,901,009</u> | <u>-</u> |
| Total | <u>\$ 4,901,009</u> | <u>\$ 15,374,000</u> |

\$4,901,009 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended <u>June 30,</u> | |
|--------------------------------|--------------|
| 2016 | \$ 3,843,500 |
| 2017 | \$ 3,843,500 |
| 2018 | \$ 3,843,500 |
| 2019 | \$ 3,843,500 |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2013 |
| Experience Study | July 1, 2006, through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.60% |
| Consumer Price Inflation | 3.00% |
| Wage Growth | 3.75% |
| Post-retirement Benefit Increases | 2.00% simple for DB Not applicable for DBS/CBB |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Long-Term* Expected Real Rate of Return</u> |
|---------------------|---------------------------------|--|
| Global Equity | 47% | 4.50% |
| Private Equity | 12 | 6.20 |
| Real Estate | 15 | 4.35 |
| Inflation Sensitive | 5 | 3.20 |
| Fixed Income | 20 | 0.20 |
| Cash / Liquidity | 1 | 0.00 |

* 10-year geometric average

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

| | 1% Decrease <u>(6.60%)</u> | Current Discount Rate <u>(7.60%)</u> | 1% Increase <u>(8.60%)</u> |
|--|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 97,316,000</u> | <u>\$ 62,433,000</u> | <u>\$ 33,346,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$1,975,605 to the plan for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$15,682,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District’s proportion was 0.138 percent, which was an increase of 0.009 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,659,242. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net differences between projected and actual earnings on investments | - | 5,389,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,082,250 | - |
| Contributions made subsequent to measurement date | <u>1,975,605</u> | <u>-</u> |
| Total | <u>\$ 3,057,855</u> | <u>\$ 5,389,000</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$1,975,605 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended <u>June 30,</u> | |
|--------------------------------|--------------|
| 2016 | \$ 986,500 |
| 2017 | \$ 986,500 |
| 2018 | \$ 986,500 |
| 2019 | \$ 1,347,250 |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|--|
| Valuation Date | June 30, 2013 |
| Experience Study | July 1, 2006, through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.50% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

| <u>Asset Class</u> | <u>Long-Term* Assumed Asset Allocation</u> | <u>Expected Real Rate of Return</u> |
|-----------------------------|--|---|
| Global Equity | 47% | 5.25% |
| Global Fixed Income | 19 | 0.99 |
| Inflation Sensitive | 6 | 0.45 |
| Private Equity | 12 | 6.83 |
| Real Estate | 11 | 4.50 |
| Infrastructure & Forestland | 3 | 4.50 |
| Liquidity | 2 | (0.55) |

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease <u>(6.50%)</u> | Current Discount Rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 27,434,000</u> | <u>\$ 15,682,000</u> | <u>\$ 5,717,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

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, 2015 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, 2015, the District contributed \$597,698 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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (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 | 325,425 |
| Adjustment to annual required contribution | <u>(286,347)</u> |
| Annual OPEB cost (expense) | 1,622,326 |
| Contributions made | <u>(597,698)</u> |
| Increase in net OPEB obligation | 1,024,628 |
| Net OPEB obligation - beginning of year | <u>6,851,052</u> |
| Net OPEB obligation - end of year | <u><u>\$ 7,875,680</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, 2015 and preceding two years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2013 | \$ 1,792,389 | 27% | \$ 5,652,804 |
| June 30, 2014 | \$ 1,716,491 | 30% | \$ 6,851,052 |
| June 30, 2015 | \$ 1,622,326 | 37% | \$ 7,875,680 |

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, 2015, 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.

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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2015, was 27 years.

NOTE 10 - 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. There have been no significant reductions in insurance coverage in the prior year. The following is a summary of financial information for SIA at June 30, 2014 (the latest information available):

| | |
|--------------------|----------------|
| Total assets | \$ 113,740,483 |
| Total liabilities | \$ 48,361,972 |
| Total net position | \$ 65,378,511 |
| Total revenues | \$ 42,185,204 |
| Total expenses | \$ 39,216,888 |

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.

NOTE 11 - 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.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 - SUBSEQUENT EVENTS

In July 2015 the District issued \$69,500,000 of Election 2014, Series 2015 General Obligation Bonds to finance the acquisition and improvement of real property for school purposes and pay costs of issuance of the bonds. The bonds mature in varying amounts through August 2037 with interest rates from 2.0% to 5.0%.

In September 2015 the District issued \$8,995,000 of Certificates of Participation (COPs) to finance the construction of a new elementary school, to fund capitalized interest through December 1, 2017, and pay certain delivery costs of the Certificates of Participation, including premiums for a municipal bond insurance policy and debt service reserve insurance policy. The COPs mature in varying amounts through June 2040 with interest rates from 2.0% to 4.0%.

REQUIRED SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

| | <u>Budget</u> | | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Local Control Funding Formula (LCFF): | | | | |
| State apportionment | \$ 54,447,823 | \$ 55,741,648 | \$ 55,705,876 | \$ (35,772) |
| Local sources | <u>11,577,093</u> | <u>12,519,242</u> | <u>12,519,242</u> | <u>-</u> |
| Total LCFF | <u>66,024,916</u> | <u>68,260,890</u> | <u>68,225,118</u> | <u>(35,772)</u> |
| Federal sources | 4,157,465 | 5,970,542 | 4,775,535 | (1,195,007) |
| Other state sources | 2,797,118 | 3,369,407 | 5,629,923 | 2,260,516 |
| Other local sources | <u>4,247,184</u> | <u>5,173,321</u> | <u>4,990,810</u> | <u>(182,511)</u> |
| Total revenues | <u>77,226,683</u> | <u>82,774,160</u> | <u>83,621,386</u> | <u>847,226</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 41,276,396 | 43,971,283 | 42,929,798 | 1,041,485 |
| Classified salaries | 14,249,825 | 14,962,324 | 15,079,869 | (117,545) |
| Employee benefits | 16,057,353 | 15,395,951 | 16,962,915 | (1,566,964) |
| Books and supplies | 4,208,931 | 5,869,703 | 4,481,862 | 1,387,841 |
| Contract services and operating expenditures | 7,165,007 | 9,210,495 | 8,839,178 | 371,317 |
| Other outgo | 610,294 | 191,479 | 1,045,428 | (853,949) |
| Capital outlay | <u>255,408</u> | <u>205,905</u> | <u>58,910</u> | <u>146,995</u> |
| Total expenditures | <u>83,823,214</u> | <u>89,816,361</u> | <u>89,397,960</u> | <u>410,020</u> |
| Deficiency of revenues under expenditures | <u>(6,596,531)</u> | <u>(7,042,201)</u> | <u>(5,776,574)</u> | <u>1,257,246</u> |
| Other financing sources: | | | | |
| Interfund transfers in | <u>1,080,276</u> | <u>664,382</u> | <u>1,061,841</u> | <u>397,459</u> |
| Change in fund balance | (5,516,255) | (6,377,819) | (4,714,733) | 1,654,705 |
| Fund balance, July 1, 2014 | <u>16,793,249</u> | <u>16,793,249</u> | <u>16,793,249</u> | <u>-</u> |
| Fund balance, June 30, 2015 | <u>\$ 11,276,994</u> | <u>\$ 10,415,430</u> | <u>\$ 12,078,516</u> | <u>\$ 1,654,705</u> |

NATOMAS UNIFIED SCHOOL DISTRICT
CHARTER SCHOOL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

| | <u>Budget</u> | | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|----------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Local Control Funding Formula (LCFF): | | | | |
| State apportionment | \$ 26,079,025 | \$ 21,719,430 | \$ 21,851,524 | \$ 132,094 |
| Local sources | <u>-</u> | <u>5,262,574</u> | <u>5,262,574</u> | <u>-</u> |
| Total LCFF | <u>26,079,025</u> | <u>26,982,004</u> | <u>27,114,098</u> | <u>132,094</u> |
| Federal sources | 88,987 | 125,081 | 99,956 | (25,125) |
| Other state sources | 699,683 | 945,520 | 1,025,815 | 80,295 |
| Other local sources | <u>1,411,725</u> | <u>1,758,487</u> | <u>1,763,247</u> | <u>4,760</u> |
| Total revenues | <u>28,279,420</u> | <u>29,811,092</u> | <u>30,003,116</u> | <u>192,024</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 13,264,475 | 13,694,407 | 13,025,172 | 669,235 |
| Classified salaries | 2,473,392 | 2,552,725 | 2,471,546 | 81,179 |
| Employee benefits | 4,405,340 | 4,194,270 | 3,991,311 | 202,959 |
| Books and supplies | 1,310,568 | 1,949,410 | 1,588,292 | 361,118 |
| Contract services and operating expenditures | 4,221,201 | 4,558,942 | 3,864,181 | 694,761 |
| Other outgo | 243,639 | 1,040,062 | - | 1,040,062 |
| Capital outlay | 171,416 | 158,142 | 83,189 | 74,953 |
| Debt service: | | | | |
| Principal retirement | - | 216,536 | 211,408 | 5,128 |
| Interest | <u>-</u> | <u>9,221</u> | <u>8,381</u> | <u>840</u> |
| Total expenditures | <u>26,090,031</u> | <u>28,373,715</u> | <u>25,243,480</u> | <u>3,130,235</u> |
| Excess of revenues over expenditures | <u>2,189,389</u> | <u>1,437,377</u> | <u>4,759,636</u> | <u>3,322,259</u> |
| Other financing sources (uses): | | | | |
| Interfund transfers in | 162,000 | 162,000 | 162,000 | - |
| Interfund transfers out | (840,980) | (664,525) | (804,367) | (139,842) |
| Proceeds from the issuance of long-term liabilities | <u>9,779</u> | <u>3,868</u> | <u>-</u> | <u>(3,868)</u> |
| Total other financing sources | <u>(669,201)</u> | <u>(498,657)</u> | <u>(642,367)</u> | <u>(143,710)</u> |
| Change in fund balance | 1,520,188 | 938,720 | 4,117,269 | 3,178,549 |
| Fund balance, July 1, 2014 | <u>11,550,646</u> | <u>11,550,646</u> | <u>11,550,646</u> | <u>-</u> |
| Fund balance, June 30, 2015 | <u>\$ 13,070,834</u> | <u>\$ 12,489,366</u> | <u>\$ 15,667,915</u> | <u>\$ 3,178,549</u> |

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2015

| <u>Schedule of Funding Progress</u> | | | | | | |
|---|--|--|--|-------------------------|----------------------------|--|
| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
| 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% |

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | <u>2015</u> |
|--|-----------------------|
| District's proportion of the net pension liability | 0.171% |
| District's proportionate share of the net pension liability | \$ 62,433,000 |
| State's proportionate share of the net pension liability associated with the District | <u>37,700,000</u> |
| Total net pension liability | <u>\$ 100,133,000</u> |
| District's covered-employee payroll | \$ 47,586,000 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 131.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> |
|--|---------------|
| District's proportion of the net pension liability | 0.138% |
| District's proportionate share of the net pension liability | \$ 15,682,000 |
| District's covered-employee payroll | \$ 14,501,000 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 108.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | <u>2015</u> |
|--|------------------|
| Contractually required contribution | \$ 4,901,009 |
| Contributions in relation to the contractually required contribution | <u>4,901,009</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 55,192,000 |
| Contributions as a percentage of covered-employee payroll | 8.88% |

All years prior to 2015 are not available.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> |
|--|------------------|
| Contractually required contribution | \$ 1,975,605 |
| Contributions in relation to the contractually required contribution | <u>1,975,605</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 16,784,000 |
| Contributions as a percentage of covered-employee payroll | 11.77% |

All years prior to 2015 are not available.

NATOMAS UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 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, 2015 were as follows:

| <u>Fund</u> | <u>Excess Expenditures</u> |
|---------------------|----------------------------|
| General Fund: | |
| Classified salaries | \$ 117,545 |
| Employee benefits | \$ 1,566,964 |

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.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Fund | Total |
|--|------------------------------|---------------------|---------------------------------|-------------------------------|--|--|---------------------|
| ASSETS | | | | | | | |
| Cash in County Treasury | \$ 1,388 | \$ 351,912 | \$ 528,521 | \$ 3,202,594 | \$ 751,198 | \$ 18,903 | \$ 4,854,516 |
| Cash in banks | - | 2,500 | - | - | - | - | 2,500 |
| Receivables | 3 | 1,042,309 | 1,395 | 8,973 | 338 | 55 | 1,053,073 |
| Due from other funds | - | 192 | - | 49,539 | 69,375 | - | 119,106 |
| Stores inventory | - | 57,707 | - | - | - | - | 57,707 |
| | <u>-</u> | <u>57,707</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>57,707</u> |
| Total assets | <u>\$ 1,391</u> | <u>\$ 1,454,620</u> | <u>\$ 529,916</u> | <u>\$ 3,261,106</u> | <u>\$ 820,911</u> | <u>\$ 18,958</u> | <u>\$ 6,086,902</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ 79,228 | \$ 1,697 | \$ 20,567 | \$ 88,048 | \$ - | \$ 189,540 |
| Due to other funds | 1,391 | - | - | 28,301 | 546,155 | - | 575,847 |
| | <u>1,391</u> | <u>-</u> | <u>-</u> | <u>28,301</u> | <u>546,155</u> | <u>-</u> | <u>575,847</u> |
| Total liabilities | <u>1,391</u> | <u>79,228</u> | <u>1,697</u> | <u>48,868</u> | <u>634,203</u> | <u>-</u> | <u>765,387</u> |
| Fund balances: | | | | | | | |
| Nonspendable | - | 57,707 | - | - | - | - | 57,707 |
| Restricted | - | 1,317,685 | 528,219 | 3,212,238 | 186,708 | 18,958 | 5,263,808 |
| | <u>-</u> | <u>1,317,685</u> | <u>528,219</u> | <u>3,212,238</u> | <u>186,708</u> | <u>18,958</u> | <u>5,263,808</u> |
| Total fund balances | <u>-</u> | <u>1,375,392</u> | <u>528,219</u> | <u>3,212,238</u> | <u>186,708</u> | <u>18,958</u> | <u>5,321,515</u> |
| Total liabilities and fund balances | <u>\$ 1,391</u> | <u>\$ 1,454,620</u> | <u>\$ 529,916</u> | <u>\$ 3,261,106</u> | <u>\$ 820,911</u> | <u>\$ 18,958</u> | <u>\$ 6,086,902</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, 2015

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve for Capital Outlay Fund | Total |
|---|------------------------------|---------------------|---------------------------------|-------------------------------|--|--|---------------------|
| Revenues: | | | | | | | |
| Federal sources | \$ - | \$ 3,936,473 | \$ - | - | \$ - | \$ - | \$ 3,936,473 |
| Other state sources | 448 | 284,704 | - | - | - | - | 285,152 |
| Other local sources | <u>3</u> | <u>917,505</u> | <u>121,395</u> | <u>13,741</u> | <u>339</u> | <u>(12,977)</u> | <u>1,040,006</u> |
| Total revenues | <u>451</u> | <u>5,138,682</u> | <u>121,395</u> | <u>13,741</u> | <u>339</u> | <u>(12,977)</u> | <u>5,261,631</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Certificated salaries | 1,253 | - | - | - | - | - | 1,253 |
| Classified salaries | - | 1,531,976 | - | - | - | - | 1,531,976 |
| Employee benefits | 586 | 477,145 | - | - | - | - | 477,731 |
| Books and supplies | - | 2,445,397 | - | 225,504 | - | - | 2,670,901 |
| Contract services and operating expenditures | - | 70,513 | - | 125,189 | 45,518 | - | 241,220 |
| Capital outlay | <u>-</u> | <u>236,378</u> | <u>327,216</u> | <u>1,344,913</u> | <u>1,492,263</u> | <u>42,537</u> | <u>3,443,307</u> |
| Total expenditures | <u>1,839</u> | <u>4,761,409</u> | <u>327,216</u> | <u>1,695,606</u> | <u>1,537,781</u> | <u>42,537</u> | <u>8,366,388</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(1,388)</u> | <u>377,273</u> | <u>(205,821)</u> | <u>(1,681,865)</u> | <u>(1,537,442)</u> | <u>(55,514)</u> | <u>(3,104,757)</u> |
| Other financing sources (uses): | | | | | | | |
| Interfund transfers in | - | - | - | - | 1,522,759 | - | 1,522,759 |
| Interfund transfers out | <u>-</u> | <u>(257,474)</u> | <u>-</u> | <u>(215,283)</u> | <u>-</u> | <u>-</u> | <u>(472,757)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>(257,474)</u> | <u>-</u> | <u>(215,283)</u> | <u>1,522,759</u> | <u>-</u> | <u>1,050,002</u> |
| Net change in fund balances | (1,388) | 119,799 | (205,821) | (1,897,148) | (14,683) | (55,514) | (2,054,755) |
| Fund balances, July 1, 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> |
| Fund balances, June 30, 2015 | <u>\$ -</u> | <u>\$ 1,375,392</u> | <u>\$ 528,219</u> | <u>\$ 3,212,238</u> | <u>\$ 186,708</u> | <u>\$ 18,958</u> | <u>\$ 5,321,515</u> |

NATOMAS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

| | Balance July 1, <u>2014</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2015</u> |
|----------------------------------|-----------------------------------|-------------------|-------------------|------------------------------------|
| Student Body Funds | | | | |
| <u>American Lakes Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>3,273</u> | \$ <u>19,948</u> | \$ <u>19,205</u> | \$ <u>4,016</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>3,273</u> | \$ <u>19,948</u> | \$ <u>19,205</u> | \$ <u>4,016</u> |
| <u>Bannon Creek Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>6,912</u> | \$ <u>10,758</u> | \$ <u>10,848</u> | \$ <u>6,822</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>6,912</u> | \$ <u>10,758</u> | \$ <u>10,848</u> | \$ <u>6,822</u> |
| <u>H. Allen Hight Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>5,148</u> | \$ <u>36,079</u> | \$ <u>35,258</u> | \$ <u>5,969</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>5,148</u> | \$ <u>36,079</u> | \$ <u>35,258</u> | \$ <u>5,969</u> |
| <u>Heron School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>29,362</u> | \$ <u>234,715</u> | \$ <u>240,904</u> | \$ <u>23,173</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>29,362</u> | \$ <u>234,715</u> | \$ <u>240,904</u> | \$ <u>23,173</u> |
| <u>Jefferson Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>13,097</u> | \$ <u>17,386</u> | \$ <u>16,858</u> | \$ <u>13,625</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>13,097</u> | \$ <u>17,386</u> | \$ <u>16,858</u> | \$ <u>13,625</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

| | Balance July 1, <u>2014</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2015</u> |
|---------------------------------------|-----------------------------------|------------------|-------------------|------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Natomas Park Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>24,910</u> | \$ <u>77,485</u> | \$ <u>78,106</u> | \$ <u>24,289</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>24,910</u> | \$ <u>77,485</u> | \$ <u>78,106</u> | \$ <u>24,289</u> |
| <u>Two Rivers Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>14,443</u> | \$ <u>36,180</u> | \$ <u>37,703</u> | \$ <u>12,920</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>14,443</u> | \$ <u>36,180</u> | \$ <u>37,703</u> | \$ <u>12,920</u> |
| <u>Witter Ranch Elementary</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>4,035</u> | \$ <u>35,529</u> | \$ <u>35,323</u> | \$ <u>4,241</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>4,035</u> | \$ <u>35,529</u> | \$ <u>35,323</u> | \$ <u>4,241</u> |
| <u>Natomas Middle School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>15,485</u> | \$ <u>19,978</u> | \$ <u>23,088</u> | \$ <u>12,375</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>15,485</u> | \$ <u>19,978</u> | \$ <u>23,088</u> | \$ <u>12,375</u> |
| <u>Discovery High School</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>1,042</u> | \$ <u>3,424</u> | \$ <u>415</u> | \$ <u>4,051</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>1,042</u> | \$ <u>3,424</u> | \$ <u>415</u> | \$ <u>4,051</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

| | Balance July 1, <u>2014</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2015</u> |
|---------------------------------------|-----------------------------------|-------------------|-------------------|------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Inderkum High</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>111,485</u> | \$ <u>421,001</u> | \$ <u>455,361</u> | \$ <u>77,125</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>111,485</u> | \$ <u>421,001</u> | \$ <u>455,361</u> | \$ <u>77,125</u> |
| <u>Natomas High</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>48,923</u> | \$ <u>165,544</u> | \$ <u>163,079</u> | \$ <u>51,388</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>48,923</u> | \$ <u>165,544</u> | \$ <u>163,079</u> | \$ <u>51,388</u> |
| <u>Leroy Greene Academy</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>12,104</u> | \$ <u>23,260</u> | \$ <u>27,830</u> | \$ <u>7,534</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>12,104</u> | \$ <u>23,260</u> | \$ <u>27,830</u> | \$ <u>7,534</u> |
| <u>Charter School Leading Edge</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>9,051</u> | \$ <u>71,411</u> | \$ <u>66,772</u> | \$ <u>13,690</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>9,051</u> | \$ <u>71,411</u> | \$ <u>66,772</u> | \$ <u>13,690</u> |
| <u>Charter School PA</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | \$ <u>12,517</u> | \$ <u>36,403</u> | \$ <u>33,254</u> | \$ <u>15,666</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>12,517</u> | \$ <u>36,403</u> | \$ <u>33,254</u> | \$ <u>15,666</u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS
 AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

| | Balance July 1, <u>2014</u> | <u>Additions</u> | <u>Deductions</u> | Balance June 30, <u>2015</u> |
|---------------------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| Student Body Funds (Continued) | | | | |
| <u>Natomas Pacific Pathways</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Due to student groups | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ -</u> |
| <u>Total Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash on hand and in banks | <u>\$ 311,788</u> | <u>\$ 1,209,101</u> | <u>\$ 1,244,005</u> | <u>\$ 276,884</u> |
| Liabilities: | | | | |
| Due to student groups | <u>\$ 311,788</u> | <u>\$ 1,209,101</u> | <u>\$ 1,244,005</u> | <u>\$ 276,884</u> |

NATOMAS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

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> |
|---------------|----------------|---------------------|
| Scott Dosick | President | 2016 |
| B. Teri Burns | Vice President | 2018 |
| Lisa Kaplan | Clerk | 2018 |
| Ryan Herche | Member | 2016 |
| Susan Heredia | Member | 2016 |

ADMINISTRATION

Superintendent
Chris Evans

Associate Superintendent
William C. Young

Associate Superintendent
Kevin MacDonald

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015

| | <u>Second Period Report</u> | <u>Audited Second Period Report</u> | <u>Annual Report</u> |
|---|-------------------------------------|---|--------------------------|
| <u>District</u> | | | |
| Elementary: | | | |
| Transitional Kindergarten through Third | 3,308 | 3,309 | 3,311 |
| Fourth through Sixth | 2,170 | 2,171 | 2,170 |
| Seventh and Eighth | <u>930</u> | <u>931</u> | <u>930</u> |
| Subtotal Elementary | <u>6,408</u> | <u>6,411</u> | <u>6,411</u> |
| Secondary: | | | |
| Ninth through Twelfth | <u>2,804</u> | <u>2,811</u> | <u>2,792</u> |
| District Total | <u><u>9,212</u></u> | <u><u>9,222</u></u> | <u><u>9,203</u></u> |
| <u>Natomas Charter School</u> | | | |
| <u>Classroom-Based:</u> | | | |
| Elementary: | | | |
| Transitional Kindergarten through Third | 236 | 236 | 235 |
| Fourth through Sixth | 286 | 286 | 286 |
| Seventh and Eighth | <u>353</u> | <u>353</u> | <u>352</u> |
| Total Elementary | <u>875</u> | <u>875</u> | <u>873</u> |
| Secondary: | | | |
| Ninth through Twelfth | <u>381</u> | <u>381</u> | <u>379</u> |
| Total Classroom-Based | <u><u>1,256</u></u> | <u><u>1,256</u></u> | <u><u>1,252</u></u> |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

| | <u>Second Period Report</u> | <u>Audited Second Period Report</u> | <u>Annual Report</u> |
|--|-------------------------------------|---|--------------------------|
| <u>Natomas Charter School (Continued)</u> | | | |
| <u>Nonclassroom-Based:</u> | | | |
| Elementary: | | | |
| Transitional Kindergarten through Third | 84 | 84 | 86 |
| Fourth through Sixth | 65 | 65 | 67 |
| Seventh and Eighth | <u>61</u> | <u>61</u> | <u>62</u> |
| Total Elementary | <u>210</u> | <u>210</u> | <u>215</u> |
| Secondary: | | | |
| Ninth through Twelfth | <u>84</u> | <u>84</u> | <u>83</u> |
| Total Nonclassroom-Based | <u>294</u> | <u>294</u> | <u>298</u> |
| Total Natomas Charter School | <u>1,550</u> | <u>1,550</u> | <u>1,550</u> |
| <u>Natomas Pacific Pathways Prep Middle School - Classroom-Based</u> | | | |
| Elementary: | | | |
| Fourth through Sixth | 164 | N/A | 164 |
| Seventh and Eighth | <u>333</u> | N/A | <u>332</u> |
| Total | <u>497</u> | | <u>496</u> |
| <u>Natomas Pacific Pathways Prep High School - Classroom-Based</u> | | | |
| Secondary: | | | |
| Ninth through Twelfth | <u>569</u> | N/A | <u>567</u> |
| <u>Westlake Charter School - Classroom-Based</u> | | | |
| Elementary: | | | |
| Transitional Kindergarten through Third | 428 | 428 | 428 |
| Fourth through Sixth | 300 | 300 | 302 |
| Seventh and Eighth | <u>158</u> | <u>158</u> | <u>157</u> |
| Total | <u>886</u> | <u>886</u> | <u>887</u> |
| <u>Leroy Greene Charter School - Classroom-Based</u> | | | |
| Elementary: | | | |
| Seventh and Eighth | <u>231</u> | <u>231</u> | <u>230</u> |
| Secondary: | | | |
| Ninth through Twelfth | <u>155</u> | <u>155</u> | <u>136</u> |
| Total | <u>386</u> | <u>386</u> | <u>366</u> |

See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015

| <u>Grade Level</u> | <u>Statutory Minutes Requirement</u> | <u>Statutory Minutes Requirement</u> | <u>2014-15 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|--|--|--|---------------------------------------|--|---------------|
| <u>District</u> | | | | | |
| Kindergarten | 36,000 | 35,000 | 56,799 | 180 | In Compliance |
| Grade 1 | 50,400 | 49,000 | 54,445 | 180 | In Compliance |
| Grade 2 | 50,400 | 49,000 | 54,445 | 180 | In Compliance |
| Grade 3 | 50,400 | 49,000 | 54,445 | 180 | In Compliance |
| Grade 4 | 54,000 | 52,500 | 57,040 | 180 | In Compliance |
| Grade 5 | 54,000 | 52,500 | 57,040 | 180 | In Compliance |
| Grade 6 | 54,000 | 52,500 | 57,040 | 180 | In Compliance |
| Grade 7 | 54,000 | 52,500 | 64,960 | 180 | In Compliance |
| Grade 8 | 54,000 | 52,500 | 64,960 | 180 | In Compliance |
| Grade 9 | 64,800 | 63,000 | 66,086 | 180 | In Compliance |
| Grade 10 | 64,800 | 63,000 | 66,086 | 180 | In Compliance |
| Grade 11 | 64,800 | 63,000 | 66,086 | 180 | In Compliance |
| Grade 12 | 64,800 | 63,000 | 66,086 | 180 | In Compliance |
| <u>Natomas Charter School - Classroom-Based</u> | | | | | |
| Kindergarten | 34,971 | N/A | 43,960 | 180 | In Compliance |
| Grade 1 | 48,960 | N/A | 58,020 | 180 | In Compliance |
| Grade 2 | 48,960 | N/A | 58,020 | 180 | In Compliance |
| Grade 3 | 48,960 | N/A | 57,450 | 180 | In Compliance |
| Grade 4 | 48,960 | N/A | 57,780 | 180 | In Compliance |
| Grade 5 | 48,960 | N/A | 57,780 | 180 | In Compliance |
| Grade 6 | 52,457 | N/A | 63,320 | 180 | In Compliance |
| Grade 7 | 52,457 | N/A | 63,320 | 180 | In Compliance |
| Grade 8 | 52,457 | N/A | 57,780 | 180 | In Compliance |
| Grade 9 | 62,949 | N/A | 72,280 | 180 | In Compliance |
| Grade 10 | 62,949 | N/A | 72,280 | 180 | In Compliance |
| Grade 11 | 62,949 | N/A | 72,280 | 180 | In Compliance |
| Grade 12 | 62,949 | N/A | 72,280 | 180 | In Compliance |
| <u>Natomas Pacific Pathways Prep Middle School - Classroom-Based</u> | | | | | |
| Grade 6 | 52,457 | N/A | 63,360 | 180 | In Compliance |
| Grade 7 | 52,457 | N/A | 63,360 | 180 | In Compliance |
| Grade 8 | 52,457 | N/A | 63,360 | 180 | In Compliance |
| <u>Natomas Pacific Pathways Prep High School - Classroom-Based</u> | | | | | |
| Grade 9 | 62,949 | N/A | 72,580 | 180 | In Compliance |
| Grade 10 | 62,949 | N/A | 72,580 | 180 | In Compliance |
| Grade 11 | 62,949 | N/A | 72,580 | 180 | In Compliance |
| Grade 12 | 62,949 | N/A | 72,580 | 180 | In Compliance |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015

| <u>Grade Level</u> | <u>Statutory Minutes Requirement</u> | <u>Statutory Minutes Requirement</u> | <u>2014-15 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|--|--|--|---------------------------------------|--|---------------|
| <u>Westlake Charter School - Classroom-Based</u> | | | | | |
| Kindergarten | 34,971 | N/A | 54,780 | 180 | In Compliance |
| Grade 1 | 48,960 | N/A | 56,580 | 180 | In Compliance |
| Grade 2 | 48,960 | N/A | 56,580 | 180 | In Compliance |
| Grade 3 | 48,960 | N/A | 60,180 | 180 | In Compliance |
| Grade 4 | 52,457 | N/A | 60,180 | 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 |
| <u>Leroy Green Academy - Classroom- Based</u> | | | | | |
| Grade 7 | 52,457 | N/A | 67,394 | 180 | In Compliance |
| Grade 8 | 52,457 | N/A | 67,394 | 180 | In Compliance |
| Grade 9 | 62,949 | N/A | 67,394 | 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, 2015

| <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 Mental Health Allocation Plan, Part B, Sec 611 | 15197 | \$ 123,850 |
| 84.027 | Special Education: IDEA Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142) | 13379 | 1,489,478 |
| 84.027A | Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 | 13682 | 144,915 |
| 84.173 | Special Education: IDEA Preschool Local Entitlement, Part B, Sec 619 | 13430 | <u>33,157</u> |
| | Subtotal Special Education Cluster | | <u>1,791,400</u> |
| | NCLB: Title I, Part A Programs: | | |
| 84.010 | NCLB: Title I, Part A, Basic Grants Low Income and Neglected | 14329 | 1,960,444 |
| 84.010 | NCLB: Title I, Part A, Program Improvement LEA Corrective Action | 14956 | <u>125,042</u> |
| | Subtotal NCLB: Title I, Part A Programs | | <u>2,085,486</u> |
| | NCLB Title III Programs: | | |
| 84.365 | NCLB: Title III, Immigrant Education Program | 15146 | 9,047 |
| 84.365 | NCLB: Title III, Limited English Proficiency | 10084 | <u>257,154</u> |
| | Subtotal NCLB: Title III Programs | | <u>266,201</u> |
| | NCLB: Title II, Part A Programs: | | |
| 84.367 | NCLB: Title II, Part A, Improving Teacher Quality Local Grants | 14341 | 134,894 |
| 84.367 | NCLB: Title II, Part A, Administrator Training | * | <u>2,851</u> |
| | Subtotal NCLB: Title II, Part A Programs | | <u>137,745</u> |
| 84.196 | NCLB: Title X McKinney-Vento Homeless Children Assistance Grants | 14332 | 60,826 |
| 84.330B | NCLB: Title I, Part G, Advanced Placement Test Fee Reimbursement Program | * | 21,886 |
| 84.318 | NCLB: Title II, Part D, Enhancing Education Through Technology EETT Grants | * | 1,134 |

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

| <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 (Continued)</u> | | | |
| 84.048 | Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education) | 14894 | \$ <u>81,861</u> |
| | Total U.S. Department of Education | | <u>4,446,539</u> |
| <u>U.S. Department of Health and Human Services - Passed through California Department of Education</u> | | | |
| 93.778 | Medi-Cal Billing Option | 10013 | <u>421,511</u> |
| <u>U.S. Department of Agriculture - Passed through California Department of Education</u> | | | |
| | Child Nutrition Programs: | | |
| 10.555 | Child Nutrition: School Programs | 13396 | 3,775,211 |
| 10.559 | Child Nutrition: Summer Food Service Program | - | <u>109,902</u> |
| | Subtotal Child Nutrition Programs | | <u>3,885,113</u> |
| 10.579 | Child Nutrition: NSLP Equipment Assistance Grant | 15006 | <u>51,450</u> |
| | Total U.S. Department of Agriculture | | <u>3,936,563</u> |
| <u>U.S. Department of Transportation - Passed through California Department of Education</u> | | | |
| 20.205 | Safe routes to school | * | <u>4,207</u> |
| | Total Federal Programs | | <u>\$ 8,808,820</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, 2015

There were no audit adjustments proposed to any 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, 2015
(UNAUDITED)

| | (Budget) 2016 | 2015 | 2014 | 2013 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 96,895,432 | \$ 84,683,227 | \$ 74,503,616 | \$ 67,769,638 |
| Expenditures | 90,905,703 | 89,397,960 | 76,090,614 | 70,468,173 |
| Other uses and transfers out | - | - | - | 505,590 |
| Total outgo | <u>90,905,703</u> | <u>89,397,960</u> | <u>76,090,614</u> | <u>70,973,763</u> |
| Change in fund balance | <u>\$ 5,989,729</u> | <u>\$ (4,714,733)</u> | <u>\$ (1,586,998)</u> | <u>\$ (3,204,125)</u> |
| Ending fund balance | <u>\$ 18,068,245</u> | <u>\$ 12,078,516</u> | <u>\$ 16,793,249</u> | <u>\$ 18,380,247</u> |
| Available reserves | <u>\$ 2,720,000</u> | <u>\$ 3,267,600</u> | <u>\$ 1,791,037</u> | <u>\$ 2,115,000</u> |
| Designated for economic uncertainties | <u>\$ 2,720,000</u> | <u>\$ 3,267,600</u> | <u>\$ -</u> | <u>\$ 2,115,000</u> |
| Undesignated fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,791,037</u> | <u>\$ -</u> |
| Available reserves as percentages of total outgo | <u>3.0%</u> | <u>3.1%</u> | <u>2.4%</u> | <u>3.0%</u> |
| <u>All Funds</u> | | | | |
| Total long-term liabilities | <u>\$ 346,189,984</u> | <u>\$ 276,670,771</u> | <u>\$ 295,771,416</u> | <u>\$ 195,234,922</u> |
| Average daily attendance at P-2, excluding Charter School | <u>9,212</u> | <u>9,222</u> | <u>8,943</u> | <u>8,772</u> |

The General Fund fund balance has decreased by \$9,505,856 over the past three years. The District has incurred operating deficits the past three years, and anticipates incurring an operating surplus during the 2015-2016 fiscal year. The fiscal year 2015-2016 budget projects an increase of \$5,989,729. 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 increased by \$81,435,849 over the past two years.

Average daily attendance has increased by 450 over the past two years. The District anticipates a decrease of 10 ADA for the 2015-2016 fiscal year.

See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

| <u>Charter Schools Chartered by District</u> | <u>Included in District Financial Statements, or Separate Report</u> |
|--|--|
| 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, 2015

| | <u>First 5 Grant*</u> |
|---|-----------------------|
| Revenues | |
| Other local sources | <u>\$ 371,923</u> |
| Expenditures: | |
| Certificated salaries | 123,967 |
| Classified salaries | 130,777 |
| Employee benefits | 67,219 |
| Books and supplies | 23,575 |
| Contract services and operating expenditures | 6,362 |
| Indirect costs | <u>20,023</u> |
| Total Expenditures | <u>371,923</u> |
| Excess of revenues over expenditures | - |
| Fund balance, July 1, 2014 | <u>-</u> |
| Fund balance, June 30, 2015 | <u><u>\$ -</u></u> |

*Revenues and expenses for the First 5 Grant are reflected in the District's General Fund. See page 18 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
 June 30, 2015

NOTE 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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2015.

| <u>Description</u> | <u>CFDA Number</u> | <u>Amount</u> |
|--|------------------------|---------------------|
| Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances | | \$ 8,811,964 |
| Less: | | |
| Medi-Cal Billing Option not spent | 84.027 | <u>(3,144)</u> |
| Total Schedule of Expenditure of Federal Awards | | <u>\$ 8,808,820</u> |

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

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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 Expenditures

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

NOTE 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, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | No, see below |
| Continuation Education | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | No, see below |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | No, see below |
| Middle or Early College High Schools | No, see below |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Regional Occupational Centers or Programs Maintenance of Effort | Yes |
| Adult Education Maintenance of Effort | Yes |
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program: | |
| General requirements | Yes |
| After school | Yes |
| Before school | No, see below |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Common Core Implementation Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Attendance, for charter schools | Yes |
| Mode of Instruction, for charter schools | Yes |
| Nonclassroom-Based Instruction/Independent Study, for charter schools | Yes |
| Determination of Funding for Nonclassroom-Based Instruction, for charter schools | Yes |
| Annual Instructional Minutes - Classroom-Based, for charter schools | Yes |
| Charter School Facility Grant Program | Yes |

(Continued)

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 does not have any Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High 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.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2015-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Natomas Unified School District did not comply with requirements regarding Regional Occupational Centers or Programs Maintenance of Effort. Compliance with such requirements is necessary, in our opinion, for Natomas Unified School District to comply with state laws and regulations applicable to Regional Occupational Centers or Programs Maintenance of Effort.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Natomas Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. 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.

(Continued)

Other Matter

Natomas Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Natomas Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 3, 2015

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, 2015, 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 3, 2015.

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 2015-001.

(Continued)

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*.

Response to Finding

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

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
Crowe Horwath LLP

Sacramento, California
December 3, 2015

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, 2015.

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, 2015.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 3, 2015

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, 2015. 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, 2015.

(Continued)

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 3, 2015

FINDINGS AND RECOMMENDATIONS

NATOMAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.555, 10.559 | Child Nutrition Programs Cluster |

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: Qualified

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 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 Inderkum High School:

- There were four stale dated items in ASB Works system that had not been resolved.
- The student store does not prepare and review profit and loss statements.
- Monthly financial statements for the ASB are not prepared or reviewed

At Discovery High School:

- There is no evidence of approval of fundraising activities
- Monthly financial statements for the ASB are not prepared or reviewed

Effect

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

Cause

Adequate internal control procedures have not been consistently followed.

Fiscal Impact

Not determinable.

Recommendations

School sites should implement and consistently apply proper control procedures in order to protect ASB funds from misappropriation.

Corrective Action Plan

The District plans to correct the finding through increased training and monitoring.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-002 DEFICIENCY – STATE COMPLIANCE – Regional Occupational Centers or Programs Maintenance of Effort (40000)

Criteria

The LEA is required to expend regional occupational centers or programs funds in the 2014-15 fiscal year of at least the amount expended or amount of revenue received for that purpose in 2012-13 if that is less.

Condition

In 2014-15 the District did not expend more than amount expended or received in 2012-13. In 2014-15 the District expended \$222,792, in 2012-13 the District expended \$317,107 and in 2012-13 the District received \$409,409.

Effect

Based on the finding we have determined that the District is out of compliance with the Regional Occupation Centers or Programs Maintenance of Efforts Requirements.

Cause

District does not have controls in place to ensure they are in compliance with state compliance.

Fiscal Impact

Not determinable.

Recommendation

The District ensure they expend at least the amount expended or received in 2012-13.

Corrective Action Plan

The District plans to correct the finding by putting controls in place to ensure the amount expended is at least the amount expended or received in 2012-13.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

NATOMAS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Implemented</u> |
|---|------------------------|--|
| <p>2014-001</p> <p>At H. Allen Hight and Heron School there is no evidence of approval of fundraisers.</p> <p>At Two Rivers Elementary, there is no evidence of review of the bank statement or financial statements by the Principal.</p> <p>At Leroy Greene Academy personnel at the school do not review the bank account details, as they do not have access.</p> <p>School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:</p> <ul style="list-style-type: none">• 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. | Partially implemented. | See current year finding 2015-001. |