

**NATOMAS UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2018

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018

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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, 2018, 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, 2018, 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.

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## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of \$(6,801,695). Note disclosures and required supplementary information requirements about OPEB are also discussed. 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, the Charter School Fund Budgetary Comparison Schedule, the Schedule of Changes in Total OPEB Liability, 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 the Natomas Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 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 LLP*

Crowe LLP

Sacramento, California  
December 5, 2018

## **MANAGEMENT DISCUSSION AND ANALYSIS** **Fiscal Year Ending June 30, 2018**

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, 2018. 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, including deferred outflows and inflows) 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 2017, the District had 9,922 students that attended traditional (non-charter) schools, which is a decrease of 147 students from the prior year CALPADS of 9,775.



- The average daily attendance (ADA), which much of the District's revenue is based, was 9,390, an increase of 68 from 2016-17 ADA count of 9,322. (Figures excludes county pass through programs).
- The ratio of attendance to CALPADS enrollment was approximately 94.5%.
- The District's General Fund ending cash balance for June 30, 2018 was \$22.4 million.
- The District's Food Services program had revenues over expenditures at \$138,889.
- The District's LCFF base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3rd grades at \$7,193/ADA; Grades 4th – 6th at \$7,301/ADA; Grades 7th - 8th grade at \$7,518/ADA; and Grades 9th – 12th at \$8,712/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 62.08%.
- As of the 2017-18 fiscal year, Natomas Charter school is not included in the District's Fund 09 financial statements.



**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

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

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

**Table 1 - Net Position**

	<b>Government-Wide Statement of Net Position</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 189,306,789	\$ 151,142,505	\$ 38,164,284
Capital assets, net of depreciation	347,637,490	455,815,338	(108,177,848)
<b>Total Assets</b>	<b>536,944,279</b>	<b>606,957,843</b>	<b>(70,013,564)</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	46,125,710	32,604,144	13,521,566
Deferred outflows - refunding of debt	2,561,783	2,766,276	(204,493)
<b>Total Deferred Outflows</b>	<b>48,687,493</b>	<b>35,370,420</b>	<b>13,317,073</b>
<b>Liabilities</b>			
Current liabilities	25,154,415	33,529,565	(8,375,150)
Long-term obligations	428,015,216	415,878,393	12,136,823
<b>Total Liabilities</b>	<b>453,169,631</b>	<b>449,407,958</b>	<b>3,761,673</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	<b>6,396,000</b>	<b>4,425,000</b>	<b>1,971,000</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	176,635,810	200,440,986	(23,805,176)
Restricted	99,872,776	118,094,925	(18,222,149)
Unrestricted	(150,442,445)	(130,040,606)	(20,401,839)
<b>Total Net Position</b>	<b>\$ 126,066,141</b>	<b>\$ 188,495,305</b>	<b>\$ (62,429,164)</b>

Total Government Wide Net Position decreased by approximately \$62 million during the 2017/18 fiscal year. It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Most of the District’s school sites have low values for today’s market because the District acquired the land decades ago. This valuation of land is consistent with accounting rules set forth under GASB.

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



## Change in Net Position

The District's total revenues decreased 15% to approximately \$162.5 million. General revenues accounted for most of the District's revenue, contributing approximately 72% 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 \$49 million to \$169.6 million, of which 62% of the expenses are primarily related to educating and caring for students. Administrative activities of the District increased by \$42.9 million primarily due to the reconciliation of capital assets including work in process for prior years.

A summary of total District revenues, expenses, and changes in net position is presented in Table 2.



**Table 2 – Change in Net Position**

	<b>Government-Wide Statement of Activities</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 12,142,173	\$ 8,217,286	\$ 3,924,887
Operating grants and contributions	25,379,559	28,241,118	(2,861,559)
Capital grants and contributions	-	2,376	(2,376)
General revenues:			
Taxes levied for general purposes	24,139,419	21,716,602	2,422,817
Taxes levied for debt service	17,682,449	20,134,135	(2,451,686)
Taxes levied for other specific purposes	2,256	2,036	220
Unrestricted federal and state aid	91,512,009	107,946,687	(16,434,678)
Interest and investment earnings	686,917	696,137	(9,220)
Interagency revenues	405,987	169,362	236,625
Other general revenue	1,021,812	3,821,183	(2,799,371)
Special Item	(10,510,571)	-	(10,510,571)
<b>Total Revenues</b>	<b>\$ 162,462,010</b>	<b>\$ 190,946,922</b>	<b>\$ (28,484,912)</b>
<b>Expenses</b>			
Instruction-related	\$ 119,417,888	\$ 118,247,427	\$ 1,170,461
Student support services	14,974,220	14,140,447	833,773
Administration	51,834,030	8,966,505	42,867,525
Maintenance and operations	21,434,438	13,925,612	7,508,826
Interest on long-term liabilities	7,772,866	10,043,080	(2,270,214)
Other	2,557,770	3,312,022	(754,252)
<b>Total Expenses</b>	<b>\$ 217,991,212</b>	<b>\$ 168,635,093</b>	<b>\$ 49,356,119</b>
<b>Net Position</b>			
Change in net position	(55,529,202)	22,311,829	(77,841,031)
Cumulative effect of GASB 75	(6,801,695)		-
Net Position, Beginning of the Year	188,495,305	166,183,476	22,311,829
<b>Net Position, End of the Year</b>	<b>\$ 126,164,408</b>	<b>\$ 188,495,305</b>	<b>\$ (62,330,897)</b>

**Governmental Activities**

As reported in the Statement of Activities, the cost of all of our governmental activities was \$218 million and \$169 million for June 30, 2018 and 2017, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$41.8 million and \$41.9 million for June 30, 2018 and 2017, 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	
	2018	2017	2018	2017
Instruction	\$ 98,335,768	\$ 97,410,312	\$ 77,013,712	\$ 77,013,712
Instruction related	21,082,120	20,837,115	19,026,952	19,026,952
Pupil services	14,974,220	14,140,447	7,759,635	7,759,635
Administration	51,834,030	8,966,505	9,018,947	8,018,947
Maintenance and operations	21,434,438	13,925,612	13,874,774	13,874,774
Interest on long-term debt	7,772,866	10,043,080	10,043,080	10,043,080
Other	2,557,770	3,312,022	(3,562,787)	(3,562,787)
<b>Totals</b>	<b>\$217,991,212</b>	<b>\$168,635,093</b>	<b>\$133,174,313</b>	<b>\$132,174,313</b>



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

As the District completed the school year, its funds reported a combined fund balance of \$96.2 million, which is a net decrease of \$41.6 million from the prior year.

**Table 4 – Governmental Funds**

	<b>Balances and Activity</b>		
	<b>June 30, 2017</b>	<b>Net Change</b>	<b>June 30, 2018</b>
General	\$ 24,790,343	\$ (3,527,276)	\$ 21,263,067
Charter Schools Fund	28,165,493	(9,494,184)	18,671,309
Building Fund	54,275,346	(34,704,516)	19,570,830
Capital Facilities Fund		20,285,597	20,285,597
Bond Interest and Redemption Fund	17,799,313	(2,806,130)	14,993,183
All Non-Major Funds	12,805,947	(11,348,758)	1,457,189
<b>Total Governmental Funds</b>	<b>\$ 137,836,442</b>	<b>\$ (41,595,267)</b>	<b>\$ 96,241,175</b>

Capital Facilities Fund was considered a non-major fund in 2016-17 but was designated as a major fund in 2017-18.

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 \$26.7 million primarily because of the reconciliation of capital assets including work in process for prior years.

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

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
Land	\$ 71,020,635	\$ 70,511,654	\$ 508,981
Improvement of Sites	5,305,224	17,012,439	(11,707,215)
Buildings	338,793,275	306,966,628	31,826,647
Equipment	3,538,991	3,059,694	479,297
Construction in Progress	10,411,749	58,264,923	(47,853,174)
<b>Total Capital Assets, net</b>	<b>\$ 429,069,874</b>	<b>\$ 455,815,338</b>	<b>\$ (26,745,464)</b>





## Outstanding Debt at Year-End

As illustrated below, total long-term liabilities increased by approximately \$14.5 million, net. This increase is primarily related to the implementation of GASB 68 and GASB 75, increases in accreted interest, and the District’s OPEB liability.

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

	Governmental Activities		
	2018	2017	Net Change
General Obligation Bonds	\$ 241,957,801	\$ 252,035,392	\$ (10,077,591)
Accreted Interest	19,160,096	17,941,347	1,218,749
Unamortized Premiums on Issuances of GO Bonds	12,703,863	13,472,288	(768,425)
Certificates of Participation	-	8,995,000	
Net Pension Liability	144,831,000	125,193,000	19,638,000
Net OPEB	18,011,556	10,540,133	7,471,423
Compensated Absences	207,980	171,207	36,773
Capital Leases	334,183		334,183
Charter School Loan	-	3,315,890	(3,315,890)
<b>Total Outstanding Debt</b>	<b>\$ 437,206,479</b>	<b>\$ 431,664,257</b>	<b>\$ 14,537,222</b>

## ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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

### Contacting the District’s Financial Management

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

Javetta Cleveland  
 Deputy Superintendent  
 Natomas Unified School District  
 1901 Arena Boulevard  
 Sacramento, California 95834





## **BASIC FINANCIAL STATEMENTS**

NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 100,498,648	\$ 28,462	\$ 100,527,110
Receivables	6,713,652	6,695	6,720,347
Prepaid expenses	559,224	-	559,224
Stores inventory	39,770	-	39,770
Interagency balances (Note 3)	63,111	126,221	189,332
Non-depreciable capital assets (Note 4)	81,432,384	-	81,432,384
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>347,637,490</u>	<u>-</u>	<u>347,637,490</u>
Total assets	<u>536,944,279</u>	<u>161,378</u>	<u>537,105,657</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions (Notes 7 and 8)	46,125,710	-	46,125,710
Deferred outflows of resources - debt refunding	<u>2,561,783</u>	<u>-</u>	<u>2,561,783</u>
Total deferred outflows	<u>48,687,493</u>	<u>-</u>	<u>48,687,493</u>
<b>LIABILITIES</b>			
Accounts payable	15,652,426	-	15,652,426
Unearned revenue	184,505	-	184,505
Interagency balances (Note 3)	126,221	63,111	189,332
Long-term liabilities (Note 5):			
Due within one year	9,191,263	-	9,191,263
Due after one year	<u>428,015,216</u>	<u>-</u>	<u>428,015,216</u>
Total liabilities	<u>453,169,631</u>	<u>63,111</u>	<u>453,232,742</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>6,396,000</u>	<u>-</u>	<u>6,396,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	176,635,810	-	176,635,810
Restricted:			
Legally restricted programs	45,003,521	-	45,003,521
Capital projects	39,876,072	-	39,876,072
Debt service	14,993,183	-	14,993,183
Cafeteria enterprise	-	98,267	98,267
Unrestricted	<u>(150,442,445)</u>	<u>-</u>	<u>(150,442,445)</u>
Total net position	<u>\$ 126,066,141</u>	<u>\$ 98,267</u>	<u>\$ 126,164,408</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 98,335,768	\$ 503,483	\$ 13,832,853	\$ -	\$ (83,999,432)	\$ -	\$ 98,267
Instruction-related services:							
Supervision and administration	6,706,136	58,675	1,378,847	-	(5,268,614)	-	(5,268,614)
Library, media and technology	2,086,192	7,283	1,423	-	(2,077,486)	-	(2,077,486)
School site administration	12,289,792	25,235	499,711	-	(11,764,846)	-	(11,764,846)
Pupil services:							
Home-to-school transportation	2,902,565	-	651	-	(2,901,914)	-	(2,901,914)
Food services	5,530,417	873,051	3,945,719	-	(711,647)	-	(711,647)
All other pupil services	6,541,238	20,532	933,381	-	(5,587,325)	-	(5,587,325)
General administration:							
Centralized data processing	3,117,648	-	66,552	-	(3,051,096)	-	(3,051,096)
All other general administration	48,716,382	67,625	1,053,263	-	(47,595,494)	-	(47,595,494)
Plant services	21,434,438	17,942	48,137	-	(21,368,359)	-	(21,368,359)
Ancillary services	1,230,029	-	13,563	-	(1,216,466)	-	(1,216,466)
Community services	33,159	2,403	21,683	-	(9,073)	-	(9,073)
Other outgo	1,294,582	10,565,944	3,583,776	-	12,855,138	-	12,855,138
Interest on long-term liabilities	7,772,866	-	-	-	(7,772,866)	-	(7,772,866)
	<u>\$ 217,991,212</u>	<u>\$ 12,142,173</u>	<u>\$ 25,379,559</u>	<u>\$ -</u>	<u>(180,469,480)</u>	<u>-</u>	<u>(180,469,480)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					24,139,419	-	24,139,419
Taxes levied for debt service					17,682,449	-	17,682,449
Taxes levied for other specific purposes					2,256	-	2,256
Federal and state aid not restricted to specific purposes					91,512,009	-	91,512,009
Interest and investment earnings					686,677	240	686,917
Miscellaneous					986,896	34,916	1,021,812
Special and extraordinary item					(10,510,571)	-	(10,510,571)
Interagency revenues					405,987	-	405,987
Internal transfers					(63,111)	63,111	-
					<u>124,842,011</u>	<u>98,267</u>	<u>124,940,278</u>
Total general revenues							
Change in net position					(55,627,469)	98,267	(55,529,202)
Net position, July 1, 2017					<u>188,495,305</u>	<u>-</u>	<u>188,495,305</u>
Cumulative effect of GASB 75 implementation					(6,801,695)	-	(6,801,695)
Net position July 1, 2017, as restated					<u>181,693,610</u>	<u>-</u>	<u>181,693,610</u>
Net position, June 30, 2018					<u>\$ 126,066,141</u>	<u>\$ 98,267</u>	<u>\$ 126,164,408</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments:							
Cash in County Treasury	\$ 22,591,511	\$ 19,269,928	\$ 20,306,898	\$ 20,472,445	\$ 14,966,441	\$ 611,749	\$ 98,218,972
Cash on hand and in banks	200	-	-	-	-	2,500	2,700
Cash in revolving fund	35,000	5,000	-	-	-	-	40,000
Cash with Fiscal Agent	1,514,523	-	718,866	-	-	-	2,233,389
Cash awaiting deposit	3,587	-	-	-	-	-	3,587
Receivables	4,272,685	665,716	213,993	197,713	59,919	1,303,626	6,713,652
Prepaid expenditures	529,439	29,785	-	-	-	-	559,224
Due from other funds	1,803,631	610,997	125,383	-	-	75,675	2,615,686
Stores inventory	-	-	-	-	-	39,770	39,770
<b>Total assets</b>	<b><u>\$30,750,576</u></b>	<b><u>\$20,581,426</u></b>	<b><u>\$21,365,140</u></b>	<b><u>\$20,670,158</u></b>	<b><u>\$15,026,360</u></b>	<b><u>\$ 2,033,320</u></b>	<b><u>\$ 110,426,980</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 8,715,967	\$ 630,612	\$ 1,794,310	\$ 53,512	\$ -	\$ 128,103	\$ 11,322,504
Unearned revenue	146,980	-	-	-	33,177	4,348	184,505
Due to other funds	624,562	1,279,505	-	331,049	-	443,680	2,678,796
<b>Total liabilities</b>	<b><u>9,487,509</u></b>	<b><u>1,910,117</u></b>	<b><u>1,794,310</u></b>	<b><u>384,561</u></b>	<b><u>33,177</u></b>	<b><u>576,131</u></b>	<b><u>14,185,805</u></b>
Fund balances:							
Nonspendable	564,439	34,785	-	-	-	39,770	638,994
Restricted	4,860,370	18,636,524	19,570,830	20,285,597	14,993,183	1,417,419	79,763,923
Committed	10,187,703	-	-	-	-	-	10,187,703
Assigned	2,328,555	-	-	-	-	-	2,328,555
Unassigned	3,322,000	-	-	-	-	-	3,322,000
<b>Total fund balances</b>	<b><u>21,263,067</u></b>	<b><u>18,671,309</u></b>	<b><u>19,570,830</u></b>	<b><u>20,285,597</u></b>	<b><u>14,993,183</u></b>	<b><u>1,457,189</u></b>	<b><u>96,241,175</u></b>
<b>Total liabilities and fund   balances</b>	<b><u>\$30,750,576</u></b>	<b><u>\$20,581,426</u></b>	<b><u>\$21,365,140</u></b>	<b><u>\$20,670,158</u></b>	<b><u>\$15,026,360</u></b>	<b><u>\$ 2,033,320</u></b>	<b><u>\$ 110,426,980</u></b>

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, 2018

Total fund balances - Governmental Funds	\$	96,241,175
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 \$549,855,316 and the accumulated depreciation is \$120,785,442 (Note 4).		
		429,069,874
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, 2018 consisted of (Note 5):		
General Obligation Bonds	\$ (241,957,801)	
Accreted interest	(19,160,096)	
Unamortized Premium on issuance of debt	(12,703,863)	
Capital lease payable	(334,183)	
Total OPEB liability (Note 9)	(18,011,556)	
Net pension liability (Notes 7 and 8)	(144,831,000)	
Compensated absences	<u>(207,980)</u>	
		(437,206,479)
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.		
		2,561,783
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	\$ 46,125,710	
Deferred inflows of resources relating to pensions	<u>(6,396,000)</u>	
		39,729,710
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>(4,329,922)</u>
Total net position - governmental activities		<u>\$ 126,066,141</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, 2018

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>							
Local Control Funding Formula (LCFF):							
State apportionment	\$ 69,667,504	\$ 20,420,628	\$ -	\$ -	\$ -	\$ -	\$ 90,088,132
Local sources	16,000,703	5,103,768	-	-	-	-	21,104,471
Total LCFF	85,668,207	25,524,396	-	-	-	-	111,192,603
Federal sources	4,882,524	133,176	-	-	-	3,996,265	9,011,965
Other state sources	9,395,607	2,661,120	-	-	126,100	1,393,399	13,576,226
Other local sources	6,310,622	1,764,576	517,032	11,254,662	17,622,415	958,013	38,427,320
Total revenues	106,256,960	30,083,268	517,032	11,254,662	17,748,515	6,347,677	172,208,114
<b>Expenditures:</b>							
Current:							
Certificated salaries	45,841,842	12,848,158	-	-	-	432,468	59,122,468
Classified salaries	18,172,886	2,357,381	93,641	10,867	-	2,211,263	22,846,038
Employee benefits	21,758,355	5,039,228	38,785	4,493	-	885,235	27,726,096
Books and supplies	5,856,967	1,994,608	261,465	145,087	-	2,579,194	10,837,321
Contract services and operating expenditures	14,881,375	4,079,552	500,590	469,460	-	139,925	20,070,902
Other outgo	1,209,920	-	-	-	-	-	1,209,920
Capital outlay	3,310,605	1,137,984	25,408,658	835,530	-	1,444,116	32,136,893
Debt service:							
Principal retirement	-	83,546	8,995,000	-	10,077,591	-	19,156,137
Interest	-	16,809	47,791	-	10,477,054	-	10,541,654
Total expenditures	111,031,950	27,557,266	35,345,930	1,465,437	20,554,645	7,692,201	203,647,429
(Deficiency) excess of revenues (under) over expenditures	(4,774,990)	2,526,002	(34,828,898)	9,789,225	(2,806,130)	(1,344,524)	(31,439,315)
<b>Other financing sources (uses):</b>							
Transfers in	1,247,714	175,200	124,382	-	-	1,439,837	2,987,133
Transfers out	-	(2,102,544)	-	(507,253)	-	(440,446)	(3,050,243)
Transfer to lapsed district	-	(10,510,571)	-	-	-	-	(10,510,571)
Proceeds from capital lease	-	417,729	-	-	-	-	417,729
Total other financing sources (uses)	1,247,714	(12,020,186)	124,382	(507,253)	-	999,391	(10,155,952)
Change in fund balances	(3,527,276)	(9,494,184)	(34,704,516)	9,281,972	(2,806,130)	(345,133)	(41,595,267)
Fund balances, July 1, 2017	24,790,343	28,165,493	54,275,346	11,003,625	17,799,313	1,802,322	137,836,442
Fund balances, June 30, 2018	\$ 21,263,067	\$ 18,671,309	\$ 19,570,830	\$ 20,285,597	\$ 14,993,183	\$ 1,457,189	\$ 96,241,175

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, 2018

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Net change in fund balances - Total Governmental Funds	\$ (41,595,267)
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).	\$ 31,481,885
In the governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the gain or loss is reported.	(47,853,174)
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(10,374,175)
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).	22,472,027
In governmental funds proceeds from capital leases are recognized as other financing sources. In the government-wide statements, proceeds from capital leases are reported as increase to liabilities.	(417,729)
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).	768,425
Accreted interest is an expense that is not reported in the governmental funds (Note 5).	(1,218,749)
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.	107,716
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:	(8,087,434)
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.	(204,493)
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).	(36,773)

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(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, 2018

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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).

\$ (669,728)    \$ (14,032,202)

Change in net position of governmental activities

\$ (55,627,469)

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See accompanying notes to financial statements.



NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
CAFETERIA ENTERPRISE FUND  
June 30, 2018

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**ASSETS**

Current assets:

Cash in County Treasury (Note 2)	\$ 28,462
Receivables	6,695
Due from other funds	<u>126,221</u>

Total current assets 161,378

**LIABILITIES**

Current liabilities:

Due to other funds	<u>63,111</u>
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Total current liabilities 63,111

**NET POSITION**

Restricted for cafeteria enterprise	<u><u>\$ 98,267</u></u>
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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND  
CAFETERIA ENTERPRISE FUND  
June 30, 2018

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Operating revenues:	
Local revenues	\$ 34,917
Non-operating income:	
Interest income	240
Transfers from other funds	126,221
Transfers to other funds	<u>(63,111)</u>
Change in net position	98,267
Net position, July 1, 2017	<u>-</u>
Net position, June 30, 2018	<u><u>\$ 98,267</u></u>

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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
CAFETERIA ENTERPRISE FUND  
June 30, 2018

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Cash flows from operating activities:	
Cash received from other activities	<u>\$ 28,222</u>
Cash flows provided by investing activities:	
Interest income	<u>240</u>
Change in cash an investments	28,462
Cash and investments, July 1, 2017	<u>-</u>
Cash and investments, June 30, 2018	<u><u>\$ 28,462</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 34,917</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	<u>(6,695)</u>
Total adjustments	<u>(6,695)</u>
Net cash provided by operating activities	<u><u>\$ 28,222</u></u>

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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2018

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	Trust Fund Scholarship Trust	Agency Fund Student Body Funds
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 16,024	\$ -
Cash on hand and in banks	-	268,575
Receivables	<u>133</u>	<u>-</u>
Total assets	<u>16,157</u>	<u>\$ 268,575</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>\$ 268,575</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 16,157</u>	

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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, 2018

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	Scholarship Trust
Additions:	
Interest	\$ <u>2,755</u>
Deductions:	
Books and supplies	1,494
Contract services and operating expenditures	<u>2,500</u>
Total deductions	<u>3,994</u>
Change in net position	(1,239)
Net position, July 1, 2017	<u>17,396</u>
Net position, June 30, 2018	<u><u>\$ 16,157</u></u>

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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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 Deputy Superintendent of Business Services 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.

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(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.
3. For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity in the Building Fund. Certificates of Participation issued by the Corporation are included as liabilities in the Statement of Net Position.

**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.

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(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 Schools Fund:

The Charter Schools Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Effective July 1, 2017 Natomas Charter School is no longer included in the Charter Schools Fund of the District. Accordingly, \$10,510,571 was transferred out of the Charter Schools Fund during the year ended June 30, 2018.

Building Fund:

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

Capital Facilities Fund:

The Capital Facilities Fund is a capital projects fund used to account for moneys received from fees levied on development projects.

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.

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 Adult Education, 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 County School Facilities and Special Reserve for Capital Outlay Funds.

The Cafeteria Enterprise Fund is an enterprise fund used to account for a cafeteria program in a manner similar to private business enterprises.

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(Continued)



NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trust Funds:

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

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, 2018.

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 acquisition value for the contributed asset. 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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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 net 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. Certain 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>\$ 33,628,675</u>	<u>\$ 12,497,035</u>	<u>\$ 46,125,710</u>
Deferred inflows of resources	<u>\$ 5,952,000</u>	<u>\$ 444,000</u>	<u>\$ 6,396,000</u>
Net pension liability	<u>\$ 107,134,000</u>	<u>\$ 37,697,000</u>	<u>\$ 144,831,000</u>
Pension expense	<u>\$ 16,215,817</u>	<u>\$ 8,033,120</u>	<u>\$ 24,248,937</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 \$207,980 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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Net 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, net of deferred losses on refunding.
- 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 legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for cafeteria enterprise represents the portion of net position restricted for cafeteria enterprise activities. 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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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, 2018, 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, 2018, the District has established a minimum fund balance policy of 9%. At June 30, 2018, the District has two established stabilization arrangements, including one for SELPA.

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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements:** In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated by decreasing net position by \$6,801,695 because of the recognition of the net OPEB liability.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 are reported at fair value and consisted of the following:

	Governmental Funds	Business-Type Activities	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	\$ 98,218,972	\$ 28,462	\$ 16,024
Deposits:			
Cash on hand and in banks	2,700	-	268,575
Cash in revolving fund	<u>40,000</u>	<u>-</u>	<u>-</u>
Total deposits	<u>42,700</u>	<u>-</u>	<u>268,575</u>
Cash awaiting deposit	<u>3,587</u>	<u>-</u>	<u>-</u>
Investments:			
Cash with Fiscal Agent	<u>2,233,389</u>	<u>-</u>	<u>-</u>
Total cash	<u>\$ 100,498,648</u>	<u>\$ 28,462</u>	<u>\$ 284,599</u>

**Pooled Funds:** In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**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, 2018, the carrying amount of the District's accounts were \$311,275 and the bank balance was \$357,548, all of which was insured.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Cash with Fiscal Agent: Cash with Fiscal Agent in the General Fund totaling \$1,514,523 represents cash held by third party custodians related to the PARS pension stabilization trust and is fully collateralized. Cash with Fiscal Agent in the Building Fund totaling \$718,866 represents cash held with third party custodians for capital projects and is fully collateralized.

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, 2018, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, 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, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 1,803,631	\$ 624,562
Charter Schools	610,997	1,279,505
Building	125,383	-
Capital Facilities	-	331,049
Non-Major Governmental Funds:		
Adult Education	-	8,645
Child Development	674	60,785
Cafeteria	75,001	374,250
Proprietary Fund:		
Cafeteria Enterprise	<u>126,221</u>	<u>63,111</u>
Totals	<u>\$ 2,741,907</u>	<u>\$ 2,741,907</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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 2017-2018 fiscal year were as follows:

Transfer from the Charter Schools Fund to the General Fund for special education fees.	\$ 602,440
Transfer from the Charter Schools Fund to the Building Fund for the new Star Academy building.	124,382
Transfer from the Charter School Fund to the County School Facilities Fund for West Lake Charter projects.	1,375,722
Transfer from the Capital Facilities Fund to the General Fund for administrative fees.	331,049
Transfer from the Capital Facilities Fund to the Charter Schools Fund for STAR Academy lease.	175,200
Transfer from the Capital Facilities Fund to the County School Facilities Fund for portable classrooms at Heron Elementary School.	1,004
Transfer from the Adult Education Fund to the General Fund for indirect costs.	5,445
Transfer from the Child Development Fund to the General Fund for indirect costs.	60,785
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	247,995
Transfer from the Cafeteria Fund to the Cafeteria Enterprise Fund for activity recorded in Cafeteria Fund during the year.	126,221
Transfer from the Cafeteria Enterprise Fund to the Cafeteria Fund to pay for cost of food.	<u>63,111</u>
	<u><u>\$ 3,113,354</u></u>

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(Continued)



NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2018</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 70,511,654	\$ 508,981	\$ -	\$ 71,020,635
Work-in-process	58,264,923	-	47,853,174	10,411,749
Depreciable:				
Buildings	402,262,006	41,055,669	-	443,317,675
Site improvements	21,747,480	-	11,179,462	10,568,018
Equipment	<u>13,440,542</u>	<u>1,096,697</u>	<u>-</u>	<u>14,537,239</u>
Totals, at cost	<u>566,226,605</u>	<u>42,661,347</u>	<u>59,032,636</u>	<u>549,855,316</u>
Less accumulated depreciation:				
Buildings	(95,295,378)	(9,229,022)	-	(104,524,400)
Site improvements	(4,735,041)	(527,753)	-	(5,262,794)
Equipment	<u>(10,380,848)</u>	<u>(617,400)</u>	<u>-</u>	<u>(10,998,248)</u>
Total accumulated depreciation	<u>(110,411,267)</u>	<u>(10,374,175)</u>	<u>-</u>	<u>(120,785,442)</u>
Capital assets, net	<u>\$ 455,815,338</u>	<u>\$ 32,287,172</u>	<u>\$ 59,032,636</u>	<u>\$ 429,069,874</u>

Changes in capital assets reflected in the table above includes \$11,179,462 in depreciable assets reclassified from site improvements to buildings and \$17,976,967 in work-in-process previously capitalized and written off in the year ended June 30, 2018.

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 76,115
Instructional supervision	1,240
Food services	55,569
All other pupil services	60,774
Ancillary services	4,697
Centralized data processing	47,618
Plant services	7,205,232
All other general administration	14,520
Depreciation (unallocated)	<u>2,908,410</u>
 Total depreciation expense	 <u>\$ 10,374,175</u>

(Continued)



NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 665,000	\$ 135,660	\$ 800,660
2020	705,000	95,646	800,646
2021	750,000	53,253	803,253
2022	<u>275,000</u>	<u>8,181</u>	<u>283,181</u>
	<u>\$ 2,395,000</u>	<u>\$ 292,740</u>	<u>\$ 2,687,740</u>

Series 2007:

On August 1, 2007, the District issued General Obligation Bonds, Election of 2006, 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>
2019	\$ 1,765,620	\$ 1,467,575	\$ 3,233,195
2020	2,043,492	1,467,575	3,511,067
2021	1,453,456	1,467,575	2,921,031
2022	1,497,995	1,467,575	2,965,570
2023	1,526,530	1,467,575	2,994,105
2024-2028	8,055,813	7,337,875	15,393,688
2029-2033	<u>2,919,895</u>	<u>1,467,575</u>	<u>4,387,470</u>
	<u>\$ 19,262,801</u>	<u>\$ 16,143,325</u>	<u>\$ 35,406,126</u>

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

Series 2012:

On June 19, 2012, the District issued 2012 General Obligation Refunding bonds in the amount of \$18,165,000 to refund 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. 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>
2019	\$ 1,025,000	\$ 479,975	\$ 1,504,975
2020	1,100,000	448,100	1,548,100
2021	1,175,000	413,975	1,588,975
2022	1,260,000	377,450	1,637,450
2023	1,340,000	336,775	1,676,775
2024-2028	<u>7,875,000</u>	<u>797,900</u>	<u>8,672,900</u>
	<u>\$ 13,775,000</u>	<u>\$ 2,854,175</u>	<u>\$ 16,629,175</u>

Refunding bonds, 2013:

On July 1, 2013 the District issued 2013 General Obligation Refunding Bonds in the amount of \$27,265,000 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. As of June 30, 2018, no amounts of the refunded bonds were outstanding. The bonds bear interest rates from 2.0% to 5.0% and are scheduled to mature in varying amounts through August 2028 as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,210,000	\$ 972,700	\$ 2,182,700
2020	1,330,000	927,950	2,257,950
2021	1,465,000	872,050	2,337,050
2022	1,610,000	810,550	2,420,550
2023	1,770,000	742,950	2,512,950
2024-2028	11,645,000	2,274,000	13,919,000
2029	<u>4,130,000</u>	<u>72,275</u>	<u>4,202,275</u>
	<u>\$ 23,160,000</u>	<u>\$ 6,672,475</u>	<u>\$ 29,832,475</u>

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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. As of June 30, 2018, no amounts of the refunded bonds were outstanding. The bonds bear interest rates from 1.0% to 5.0% and mature in varying amounts through August 2030 as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 585,000	\$ 2,026,856	\$ 2,611,856
2020	590,000	2,009,181	2,599,181
2021	2,115,000	1,941,556	4,056,556
2022	2,545,000	1,825,056	4,370,056
2023	3,020,000	1,685,931	4,705,931
2024-2028	24,135,000	5,433,031	29,568,031
2029-2031	<u>17,080,000</u>	<u>664,797</u>	<u>17,744,797</u>
	<u>\$ 50,070,000</u>	<u>\$ 15,586,408</u>	<u>\$ 65,656,408</u>

Series 2015:

In July 2015 the District issued \$69,500,000 of General Obligation Bonds, Election of 2014, Series 2015 to finance the acquisition and improvement of real property for school purposes and pay the costs of issuance of the Bonds. The bonds bear interest rates from 2.0% to 5.0% and mature in varying amounts through August 2040 as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 2,622,925	\$ 2,622,925
2020	-	2,622,925	2,622,925
2021	-	2,622,925	2,622,925
2022	-	2,622,925	2,622,925
2023	1,005,000	2,612,875	3,617,875
2024-2028	8,575,000	12,099,500	20,674,500
2029-2033	14,925,000	9,712,856	24,637,856
2034-2038	22,430,000	5,889,831	28,319,831
2039-2041	<u>17,715,000</u>	<u>1,092,300</u>	<u>18,807,300</u>
	<u>\$ 64,650,000</u>	<u>\$ 41,899,062</u>	<u>\$ 106,549,062</u>

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

Series 2017:

In August 2016 the District issued \$39,000,000 of General Obligation Bonds, Election of 2014, Series 2017 to finance the acquisition and improvement of real property for school purposes and pay the costs of issuance of the bonds. The bonds bear interest rates from 4.0% to 5.0% and mature in varying amounts through August 2042 as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,190,000	\$ 1,651,150	\$ 2,841,150
2020	1,040,000	1,595,400	2,635,400
2021	1,330,000	1,536,150	2,866,150
2022	1,050,000	1,476,650	2,526,650
2023	-	1,450,400	1,450,400
2024-2028	130,000	7,248,750	7,378,750
2029-2033	2,950,000	6,938,250	9,888,250
2034-2038	8,375,000	5,585,400	13,960,400
2029-2043	<u>22,935,000</u>	<u>2,863,900</u>	<u>25,798,900</u>
	<u>\$ 39,000,000</u>	<u>\$ 30,346,050</u>	<u>\$ 69,346,050</u>

Refunding bonds, 2017

In August 2016 the District issued \$32,130,000 of 2017 General Obligation Refunding Bonds to refund a portion of the District's outstanding Election of 2006, Series 2007 General Obligation Bonds and 2008 General Obligation Refunding Bonds and to pay costs of issuing the Refunding Bonds. As of June 30, 2017, \$29,120,000 of the refunded Election of 2006, Series 2007 General Obligation Bonds (excluding compounded interest) was outstanding and will be redeemed on August 1, 2017. The bonds bear interest rate of 5.0% and mature in varying amounts through August 2032 as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,725,000	\$ 1,439,125	\$ 3,164,125
2020	1,480,000	1,359,000	2,839,000
2021	100,000	1,319,500	1,419,500
2022	105,000	1,314,375	1,419,375
2023	110,000	1,309,000	1,419,000
2024-2028	635,000	6,455,125	7,090,125
2029-2033	<u>25,490,000</u>	<u>4,727,250</u>	<u>30,217,250</u>
	<u>\$ 29,645,000</u>	<u>\$ 17,923,375</u>	<u>\$ 47,568,375</u>

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

Capital Lease Payable: The District is leasing furniture and equipment under long-term lease purchase agreements with capitalized value of \$385,893 and accumulated depreciation of zero. The following is a summary of future payments on the capital leases:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 83,546	\$ 9,161	\$ 92,707
2020	83,546	9,161	92,707
2021	83,546	9,161	92,707
2022	<u>83,545</u>	<u>9,161</u>	<u>92,706</u>
	<u>\$ 334,183</u>	<u>\$ 36,644</u>	<u>\$ 370,827</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017 <u>As restated</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 252,035,392	\$ -	\$ 10,077,591	\$ 241,957,801	\$ 8,165,620
Accreted interest	17,941,347	2,186,158	967,409	19,160,096	1,398
Premium on issuance of debt	13,472,288	-	768,425	12,703,863	732,719
Capital lease payable	-	417,729	83,546	334,183	83,546
Certificates of Participation	8,995,000	-	8,995,000	-	-
Charter school loan	3,315,890	-	3,315,890	-	-
Total OPEB liability (Note 9)	17,341,828	669,728	-	18,011,556	-
Net pension liability (Notes 7 and 8)	125,193,000	19,638,000	-	144,831,000	-
Compensated absences	<u>171,207</u>	<u>36,773</u>	<u>-</u>	<u>207,980</u>	<u>207,980</u>
	<u>\$ 438,465,952</u>	<u>\$ 22,948,388</u>	<u>\$ 24,207,861</u>	<u>\$ 437,206,479</u>	<u>\$ 9,191,263</u>

Accreted interest of \$19,160,096 at June 30, 2018 was originated from 1999 Refunding General Obligation Bonds and General Obligation Bonds, Election of 2006, Series 2007.

Payments on the General Obligation Bonds are made from the Building and Bond Interest and Redemption Funds. Payments on the capital lease are made from the Charter Schools Fund. Payments on total OPEB liability, net pension liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
<b>Nonspendable:</b>							
Revolving cash fund	\$ 35,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000
Prepaid expenditures	529,439	29,785	-	-	-	-	559,224
Stores inventory	-	-	-	-	-	39,770	39,770
Subtotal nonspendable	<u>564,439</u>	<u>34,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,770</u>	<u>638,994</u>
<b>Restricted:</b>							
Legally restricted programs	4,860,370	18,636,524	-	-	-	1,397,774	24,894,668
Capital projects	-	-	19,570,830	20,285,597	-	19,645	39,876,072
Debt service	-	-	-	-	14,993,183	-	14,993,183
Subtotal restricted	<u>4,860,370</u>	<u>18,636,524</u>	<u>19,570,830</u>	<u>20,285,597</u>	<u>14,993,183</u>	<u>1,417,419</u>	<u>79,763,923</u>
<b>Committed:</b>							
Stabilization Arrangement	6,687,703	-	-	-	-	-	6,687,703
<b>Other Commitments:</b>							
Social Studies Textbook Adoption	1,500,000	-	-	-	-	-	1,500,000
Science Textbook Adoption	1,500,000	-	-	-	-	-	1,500,000
SELPA Stabilization	500,000	-	-	-	-	-	500,000
Subtotal committed	<u>10,187,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,187,703</u>
<b>Assigned:</b>							
Diversity recruitment	1,003,175	-	-	-	-	-	1,003,175
Science materials	100,000	-	-	-	-	-	100,000
Human Resource information system	200,000	-	-	-	-	-	200,000
K-8 Conversion	893,000	-	-	-	-	-	893,000
OPEB Reserve	132,380	-	-	-	-	-	132,380
Subtotal assigned	<u>2,328,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,328,555</u>
<b>Unassigned:</b>							
Designated for economic uncertainty	<u>3,322,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,322,000</u>
<b>Total fund balances</b>	<u><u>\$ 21,263,067</u></u>	<u><u>\$ 18,671,309</u></u>	<u><u>\$ 19,570,830</u></u>	<u><u>\$ 20,285,597</u></u>	<u><u>\$ 14,993,183</u></u>	<u><u>1,457,189</u></u>	<u><u>\$ 96,241,175</u></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 (DB) 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.

*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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

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 10.25 percent of applicable member earnings for fiscal year 2017-2018. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-2018.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

*Employers* – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS 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 CalSTRS 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.

The CalSTRS employer contribution rate increases effective for fiscal year 2017-2018 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, 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, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

\* The Teachers’ Retirement Board (the “board”) cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

(Continued)



NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

The District contributed \$8,315,675 to the plan for the fiscal year ended June 30, 2018.

*State* - 9.328 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u> (1)	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%(3)
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 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 would 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.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2018, 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	\$ 107,134,000
State’s proportionate share of the net pension liability associated with the District	<u>63,380,000</u>
Total	<u><u>\$ 170,514,000</u></u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District’s proportion was 0.116 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$16,215,817 and revenue of \$4,690,790 for support provided by the State. At June 30, 2018, 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	\$ 396,000	\$ 1,869,000
Changes of assumptions	19,848,000	-
Net differences between projected and actual earnings on investments	-	2,853,000
Changes in proportion and differences between District contributions and proportionate share of contributions	5,069,000	1,230,000
Contributions made subsequent to measurement date	<u>8,315,675</u>	<u>-</u>
Total	<u>\$ 33,628,675</u>	<u>\$ 5,952,000</u>

\$8,315,675 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, 2019. 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>	
2019	\$ 1,618,117
2020	\$ 5,787,117
2021	\$ 4,250,617
2022	\$ 1,456,283
2023	\$ 2,941,033
2024	\$ 3,307,833

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 the June 30, 2017 measurement date. 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, 2018

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**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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30,</u> <u>2017</u>	<u>As of June 30,</u> <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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

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. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-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%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

\* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of the net pension liability	<u>\$157,307,000</u>	<u>\$107,134,000</u>	<u>\$ 66,416,000</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.

(Continued)

**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-2017.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.

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 districts first join the PERF B, 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, 2018 were as follows:

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

*Employers* - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$3,155,035 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$37,697,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District’s proportion was 0.158 percent, which was an increase of 0.003 from its proportion measured as of June 30, 2016.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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

For the year ended June 30, 2018, the District recognized pension expense of \$8,033,120. At June 30, 2018, 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	\$ 1,351,000	\$ -
Changes of assumptions	5,506,000	444,000
Net differences between projected and actual earnings on investments	1,304,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,181,000	-
Contributions made subsequent to measurement date	<u>3,155,035</u>	<u>-</u>
Total	<u>\$ 12,497,035</u>	<u>\$ 444,000</u>

\$3,155,035 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, 2019. 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>	
2019	\$ 2,863,083
2020	\$ 4,027,083
2021	\$ 2,722,083
2022	\$ (714,249)

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 the June 30, 2017 measurement date. 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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
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 2015 experience study report.

All other actuarial assumptions used in the June 30, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

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>	Long-Term* Assumed Asset <u>Allocation</u>	Expected Real Rate of Return <u>Years 1-10 (1)</u>	Expected Real Rate of Return <u>Years 11+(2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

\* 10-year geometric average

- (1) An expected inflation rate of 2.50% used for this period
- (2) An expected inflation rate of 3.00% used for this period

(Continued)



NATOMAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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

Discount Rate: The discount rate used to measure the total pension liability was 7.15 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.

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 rounded 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 adjusted to account for assumed administrative expenses.

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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 55,465,000</u>	<u>\$ 37,697,000</u>	<u>\$ 22,958,000</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.

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(Continued)



**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

*General Information About the Other Postemployment Benefits Plan (OPEB)*

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees. Benefits are provided 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. The plan does not issue separate financial statements.

The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements to continue medical coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	<u>Number of Participants</u>
Inactive Plan members	80
Active employees	<u>679</u>
	<u><u>759</u></u>

Benefits Provided: The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were \$795,274 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	July 1, 2018
<u>Fiscal Year End</u>	June 30
<u>Mortality Rate</u>	RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.
<u>Discount Rate</u>	3.60%. Based on the Bond Buyer 20-bond General Obligation Index.
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.
<u>Retirement Rate</u>	According to Crocker-Sarason Table T-5 less mortality, increased by 40% at all ages, with a minimum of 20% per year for employees under age 40 with fewer than 5 years of service.
<u>Inflation Rate</u>	2.25% per year
<u>Salary Increases</u>	3.0% per year
<u>Medicare Coverage</u>	All current and future participating retirees will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Health Care Inflation</u>	Initial rate of 8.00% in fiscal 2018, decreasing to 5.00% for 2020-21 and after.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 17,341,828
Changes for the year:	
Service cost	825,300
Interest	639,702
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(795,274)
Administrative expenses	<u>-</u>
Net change	<u>669,728</u>
Balance at June 30, 2018	<u><u>\$ 18,011,556</u></u>

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.6%)	Current Discount Rate (3.6%)	1% Increase (4.6%)
Total OPEB liability	<u>\$ 20,194,192</u>	<u>\$ 18,011,556</u>	<u>\$ 16,175,406</u>

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (7.0% - 4.0%)	Healthcare Cost Trend Rates Rate (8.0% - 5.0%)	1% Increase (9.0% - 6.0%)
Total OPEB liability	<u>\$ 17,278,873</u>	<u>\$ 18,011,556</u>	<u>\$ 18,863,806</u>

*OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,465,002.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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**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, 2017 (the latest information available):

Total assets	\$ 140,450,093
Total deferred outflows of resources	\$ 1,580,594
Total liabilities	\$ 67,894,697
Total deferred inflows of resources	\$ 253,160
Total net position	\$ 73,882,830
Total revenues	\$ 55,147,588
Total expenses	\$ 48,132,916
Change in net position	\$ 7,014,672

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.

At June 30, 2018, the District had commitments for capital construction projects totaling approximately \$6 million.

**REQUIRED SUPPLEMENTARY INFORMATION**

NATOMAS UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 70,482,890	\$ 71,382,890	\$ 69,667,504	\$ (1,715,386)
Local sources	<u>14,211,868</u>	<u>14,552,421</u>	<u>16,000,703</u>	<u>1,448,282</u>
Total LCFF	<u>84,694,758</u>	<u>85,935,311</u>	<u>85,668,207</u>	<u>(267,104)</u>
Federal sources	5,055,368	5,300,375	4,882,524	(417,851)
Other state sources	8,841,884	9,379,016	9,395,607	16,591
Other local sources	<u>5,359,185</u>	<u>6,021,691</u>	<u>6,310,622</u>	<u>288,931</u>
Total revenues	<u>103,951,195</u>	<u>106,636,393</u>	<u>106,256,960</u>	<u>(379,433)</u>
Expenditures:				
Current:				
Certificated salaries	45,842,112	45,764,320	45,841,842	(77,522)
Classified salaries	17,534,410	17,928,974	18,172,886	(243,912)
Employee benefits	22,021,857	21,903,271	21,758,355	144,916
Books and supplies	6,926,438	7,772,544	5,856,967	1,915,577
Contract services and operating expenditures	10,495,951	14,572,167	14,881,375	(309,208)
Other outgo	324,786	832,660	1,209,920	(377,260)
Capital outlay	<u>2,488,656</u>	<u>3,794,116</u>	<u>3,310,605</u>	<u>483,511</u>
Total expenditures	<u>105,634,210</u>	<u>112,568,052</u>	<u>111,031,950</u>	<u>1,536,102</u>
Excess of revenues over expenditures	<u>(1,683,015)</u>	<u>(5,931,659)</u>	<u>(4,774,990)</u>	<u>1,156,669</u>
Other financing sources:				
Transfers in	<u>644,650</u>	<u>656,440</u>	<u>1,247,714</u>	<u>591,274</u>
Change in fund balance	(1,038,365)	(5,275,219)	(3,527,276)	1,747,943
Fund balance, July 1, 2017	<u>24,790,343</u>	<u>24,790,343</u>	<u>24,790,343</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 23,751,978</u>	<u>\$ 19,515,124</u>	<u>\$ 21,263,067</u>	<u>\$ 1,747,943</u>

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
CHARTER SCHOOL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 20,278,046	\$ 20,919,309	\$ 20,420,628	\$ (498,681)
Local sources	<u>4,477,186</u>	<u>4,635,999</u>	<u>5,103,768</u>	<u>467,769</u>
Total LCFF	<u>24,755,232</u>	<u>25,555,308</u>	<u>25,524,396</u>	<u>(30,912)</u>
Federal sources	111,750	133,176	133,176	-
Other state sources	1,654,804	2,590,765	2,661,120	70,355
Other local sources	<u>1,470,146</u>	<u>1,607,876</u>	<u>1,764,576</u>	<u>156,700</u>
Total revenues	<u>27,991,932</u>	<u>29,887,125</u>	<u>30,083,268</u>	<u>196,143</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	12,844,175	12,772,532	12,848,158	(75,626)
Classified salaries	2,167,589	2,335,022	2,357,381	(22,359)
Employee benefits	5,212,481	5,091,092	5,039,228	51,864
Books and supplies	2,182,477	2,747,870	1,994,608	753,262
Contract services and operating expenditures	4,229,217	4,503,958	4,079,552	424,406
Other outgo	-	-	-	-
Capital outlay	45,300	749,123	1,137,984	(388,861)
Debt service:				
Principal retirement	-	100,355	83,546	16,809
Interest	<u>-</u>	<u>-</u>	<u>16,809</u>	<u>(16,809)</u>
Total expenditures	<u>26,681,239</u>	<u>28,299,952</u>	<u>27,557,266</u>	<u>742,686</u>
Excess of revenues over expenditures	<u>1,310,693</u>	<u>1,587,173</u>	<u>2,526,002</u>	<u>938,829</u>
<b>Other financing sources (uses):</b>				
Transfers in	175,200	175,200	175,200	-
Transfers out	1,973,289	2,102,545	(2,102,544)	(4,205,089)
Transfer to lapsed district	-	-	(10,510,571)	(10,510,571)
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>417,729</u>	<u>417,729</u>
Total other financing sources	<u>2,148,489</u>	<u>2,277,745</u>	<u>(12,020,186)</u>	<u>(3,787,360)</u>
Change in fund balance	3,459,182	3,864,918	(9,494,184)	(2,848,531)
Fund balance, July 1, 2017	<u>28,165,493</u>	<u>28,165,493</u>	<u>28,165,493</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 31,624,675</u>	<u>\$ 32,030,411</u>	<u>\$ 18,671,309</u>	<u>\$ (2,848,531)</u>

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE  
DISTRICT'S TOTAL OTHER POST EMPLOYMENT  
BENEFIT (OPEB) LIABILITY

For the Year Ended June 30, 2018

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Last 10 Fiscal Years

Total OPEB liability	
Service cost	\$ 825,300
Interest	639,702
Change in assumptions	-
Benefit payments	<u>(795,274)</u>
Net change in total OPEB liability	669,728
Total OPEB liability, beginning of year	<u>17,341,828</u>
Total OPEB liability, end of year	<u>\$ 18,011,556</u>
Covered employee payroll	\$ 59,765,420
Total OPEB liability as a percentage of covered-employee payroll	30%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

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See accompanying note to required supplementary information.



NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.107%	0.119%	0.117%	0.116%
District's proportionate share of the net pension liability	\$ 62,433,000	\$ 80,055,000	\$ 94,646,000	\$ 107,134,000
State's proportionate share of the net pension liability associated with the District	<u>37,700,000</u>	<u>42,340,000</u>	<u>53,885,000</u>	<u>63,380,000</u>
Total net pension liability	<u>\$100,133,000</u>	<u>\$122,395,000</u>	<u>\$148,531,000</u>	<u>\$170,514,000</u>
District's covered payroll	\$ 53,170,669	\$ 55,192,000	\$ 58,319,000	\$ 61,398,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	117.42%	145.05%	162.29%	148.83%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.138%	0.152%	0.155%	0.158%
District's proportionate share of the net pension liability	\$ 15,682,000	\$ 22,346,000	\$ 30,547,000	\$ 37,697,000
District's covered payroll	\$ 14,501,000	\$ 16,784,000	\$ 18,556,000	\$ 20,134,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	159.73%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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.

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See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2018

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 4,901,009	\$ 6,257,620	\$ 8,293,425	\$ 8,315,675
Contributions in relation to the contractually required contribution	<u>(4,901,009)</u>	<u>(6,257,620)</u>	<u>(8,293,425)</u>	<u>(8,315,675)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 55,192,000	\$ 58,319,000	\$ 61,398,000	\$ 57,628,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,975,605	\$ 2,198,301	\$ 2,792,719	\$ 3,155,035
Contributions in relation to the contractually required contribution	<u>(1,975,605)</u>	<u>(2,198,301)</u>	<u>(2,792,719)</u>	<u>(3,155,035)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,784,000	\$ 18,556,000	\$ 20,134,000	\$ 20,314,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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**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.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB 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. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**

NATOMAS UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2018

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
<b>ASSETS</b>							
Cash in County Treasury	\$ 14,461	\$ 27,820	\$ 516,366	\$ 746	\$ 43,605	\$ 8,751	\$ 611,749
Cash in banks	-	-	2,500	-	-	-	2,500
Receivables	21,486	45,668	1,237,153	(746)	-	65	1,303,626
Due from other funds	-	674	75,001	-	-	-	75,675
Stores inventory	-	-	39,770	-	-	-	39,770
Total assets	<u>\$ 35,947</u>	<u>\$ 74,162</u>	<u>\$ 1,870,790</u>	<u>\$ -</u>	<u>\$ 43,605</u>	<u>\$ 8,816</u>	<u>\$ 2,033,320</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 4,396	\$ 9,029	\$ 81,902	\$ -	\$ 32,776	\$ -	\$ 128,103
Due to other funds	8,645	60,785	374,250	-	-	-	443,680
Unearned revenue	-	4,348	-	-	-	-	4,348
Total liabilities	<u>13,041</u>	<u>74,162</u>	<u>456,152</u>	<u>-</u>	<u>32,776</u>	<u>-</u>	<u>576,131</u>
Fund balances:							
Nonspendable	-	-	39,770	-	-	-	39,770
Restricted	<u>22,906</u>	<u>-</u>	<u>1,374,868</u>	<u>-</u>	<u>10,829</u>	<u>8,816</u>	<u>1,417,419</u>
Total fund balances	<u>22,906</u>	<u>-</u>	<u>1,414,638</u>	<u>-</u>	<u>10,829</u>	<u>8,816</u>	<u>1,457,189</u>
Total liabilities and fund balances	<u>\$ 35,947</u>	<u>\$ 74,162</u>	<u>\$ 1,870,790</u>	<u>\$ -</u>	<u>\$ 43,605</u>	<u>\$ 8,816</u>	<u>\$ 2,033,320</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, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total
<b>Revenues:</b>							
Federal sources	\$ -	\$ -	\$ 3,996,265	\$ -	\$ -	\$ -	\$ 3,996,265
Other state sources	329,893	814,874	248,632	-	-	-	1,393,399
Other local sources	<u>3,301</u>	<u>-</u>	<u>956,620</u>	<u>-</u>	<u>(2,033)</u>	<u>125</u>	<u>958,013</u>
Total revenues	<u>333,194</u>	<u>814,874</u>	<u>5,201,517</u>	<u>-</u>	<u>(2,033)</u>	<u>125</u>	<u>6,347,677</u>
<b>Expenditures:</b>							
Current:							
Certificated salaries	156,534	265,351	10,583	-	-	-	432,468
Classified salaries	84,102	267,352	1,859,809	-	-	-	2,211,263
Employee benefits	68,809	170,631	645,795	-	-	-	885,235
Books and supplies	22,912	40,616	2,515,666	-	-	-	2,579,194
Contract services and operating expenditures	21,677	10,139	107,105	-	1,004	-	139,925
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,444,116</u>	<u>-</u>	<u>1,444,116</u>
Total expenditures	<u>354,034</u>	<u>754,089</u>	<u>5,138,958</u>	<u>-</u>	<u>1,445,120</u>	<u>-</u>	<u>7,692,201</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(20,840)</u>	<u>60,785</u>	<u>62,559</u>	<u>-</u>	<u>(1,447,153)</u>	<u>125</u>	<u>(1,344,524)</u>
<b>Other financing (uses) sources:</b>							
Transfers in	-	-	63,111	-	1,376,726	-	1,439,837
Transfers out	<u>(5,445)</u>	<u>(60,785)</u>	<u>(374,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,446)</u>
Total other financing (uses) sources	<u>(5,445)</u>	<u>(60,785)</u>	<u>(311,105)</u>	<u>-</u>	<u>1,376,726</u>	<u>-</u>	<u>999,391</u>
Net change in fund balances	<u>(26,285)</u>	<u>-</u>	<u>(248,546)</u>	<u>-</u>	<u>(70,427)</u>	<u>125</u>	<u>(345,133)</u>
Fund balances, July 1, 2017	<u>49,191</u>	<u>-</u>	<u>1,663,184</u>	<u>-</u>	<u>81,256</u>	<u>8,691</u>	<u>1,802,322</u>
Fund balances, June 30, 2018	<u>\$ 22,906</u>	<u>\$ -</u>	<u>\$ 1,414,638</u>	<u>\$ -</u>	<u>\$ 10,829</u>	<u>\$ 8,816</u>	<u>\$ 1,457,189</u>



NATOMAS UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<b>Student Body Funds</b>				
<u>American Lakes Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>4,387</u>	\$ <u>11,006</u>	\$ <u>9,609</u>	\$ <u>5,784</u>
Liabilities:				
Due to student groups	\$ <u>4,387</u>	\$ <u>11,006</u>	\$ <u>9,609</u>	\$ <u>5,784</u>
<u>Bannon Creek Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>7,178</u>	\$ <u>2,359</u>	\$ <u>4,199</u>	\$ <u>5,338</u>
Liabilities:				
Due to student groups	\$ <u>7,178</u>	\$ <u>2,359</u>	\$ <u>4,199</u>	\$ <u>5,338</u>
<u>H. Allen Hight Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>7,858</u>	\$ <u>34,571</u>	\$ <u>29,750</u>	\$ <u>12,679</u>
Liabilities:				
Due to student groups	\$ <u>7,858</u>	\$ <u>34,571</u>	\$ <u>29,750</u>	\$ <u>12,679</u>
<u>Heron School</u>				
Assets:				
Cash on hand and in banks	\$ <u>35,045</u>	\$ <u>157,275</u>	\$ <u>159,724</u>	\$ <u>32,596</u>
Liabilities:				
Due to student groups	\$ <u>35,045</u>	\$ <u>157,275</u>	\$ <u>159,724</u>	\$ <u>32,596</u>
<u>Jefferson Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>10,466</u>	\$ <u>13,827</u>	\$ <u>15,158</u>	\$ <u>9,135</u>
Liabilities:				
Due to student groups	\$ <u>10,466</u>	\$ <u>13,827</u>	\$ <u>15,158</u>	\$ <u>9,135</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2018

	<u>Balance</u> July 1, 2017	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2018
<b>Student Body Funds (Continued)</b>				
<u>Natomas Park Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>14,365</u>	\$ <u>45,906</u>	\$ <u>51,605</u>	\$ <u>8,666</u>
Liabilities:				
Due to student groups	\$ <u>14,365</u>	\$ <u>45,906</u>	\$ <u>51,605</u>	\$ <u>8,666</u>
<u>Two Rivers Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>22,136</u>	\$ <u>98,903</u>	\$ <u>96,699</u>	\$ <u>24,340</u>
Liabilities:				
Due to student groups	\$ <u>22,136</u>	\$ <u>98,903</u>	\$ <u>96,699</u>	\$ <u>24,340</u>
<u>Witter Ranch Elementary</u>				
Assets:				
Cash on hand and in banks	\$ <u>6,340</u>	\$ <u>23,323</u>	\$ <u>21,738</u>	\$ <u>7,925</u>
Liabilities:				
Due to student groups	\$ <u>6,340</u>	\$ <u>23,323</u>	\$ <u>21,738</u>	\$ <u>7,925</u>
<u>Natomas Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>5,529</u>	\$ <u>31,605</u>	\$ <u>21,847</u>	\$ <u>15,287</u>
Liabilities:				
Due to student groups	\$ <u>5,529</u>	\$ <u>31,605</u>	\$ <u>21,847</u>	\$ <u>15,287</u>
<u>Natomas Gateways Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>5,193</u>	\$ <u>4,614</u>	\$ <u>5,086</u>	\$ <u>4,721</u>
Liabilities:				
Due to student groups	\$ <u>5,193</u>	\$ <u>4,614</u>	\$ <u>5,086</u>	\$ <u>4,721</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS  
 AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Year Ended June 30, 2018

	<u>Balance</u> July 1, 2017	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> June 30, 2018
<b>Student Body Funds (Continued)</b>				
<u>Discovery High School</u>				
Assets:				
Cash on hand and in banks	\$ 3,962	\$ -	\$ -	\$ 3,962
Liabilities:				
Due to student groups	\$ 3,962	\$ -	\$ -	\$ 3,962
<u>Inderkum High</u>				
Assets:				
Cash on hand and in banks	\$ 139,775	\$ 599,522	\$ 683,477	\$ 55,820
Liabilities:				
Due to student groups	\$ 139,775	\$ 599,522	\$ 683,477	\$ 55,820
<u>Natomas High</u>				
Assets:				
Cash on hand and in banks	\$ 37,077	\$ 150,739	\$ 138,910	\$ 48,906
Liabilities:				
Due to student groups	\$ 37,077	\$ 150,739	\$ 138,910	\$ 48,906
<u>Leroy Greene Academy</u>				
Assets:				
Cash on hand and in banks	\$ 24,973	\$ 83,070	\$ 74,627	\$ 33,416
Liabilities:				
Due to student groups	\$ 24,973	\$ 83,070	\$ 74,627	\$ 33,416
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ 324,284	\$ 1,256,720	\$ 1,312,429	\$ 268,575
Liabilities:				
Due to student groups	\$ 324,284	\$ 1,256,720	\$ 1,312,429	\$ 268,575

NATOMAS UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2018

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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 five K-5 elementary school, three K-6 elementary schools, one K-8 elementary school, two middle schools, six charter schools (one TK-12, one K-5, one K-8, one 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	2020
Susan Heredia	Vice President	2020
B. Teri Burns	Clerk	2018
Micah Grant	Member	2020
Lisa Kaplan	Member	2018

ADMINISTRATION

Superintendent  
Chris Evans

Deputy Superintendent  
William C. Young

Deputy Superintendent  
Javetta Cleveland

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2018

	<u>Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Annual Report</u>
<b><u>District</u></b>			
Certificate Numbers	6F1D796A	23357849	7533E28C
Elementary:			
Transitional Kindergarten through Third	3,211	3,216	3,219
Fourth through Sixth	2,095	2,098	2,098
Seventh and Eighth	991	992	993
Subtotal Elementary	6,297	6,306	6,310
Secondary:			
Ninth through Twelfth	3,056	3,057	3,038
District Total	9,353	9,363	9,348
<b><u>Natomas Pacific Pathways Prep Elementary School</u></b>			
Certificate Numbers	91552F8D		EF17A455
<u>Classroom-Based:</u>			
Elementary:			
Transitional Kindergarten through Third	184		184
Fourth through Sixth	105		105
Total Natomas Pacific Pathways Prep Elementary School	289		289
<b><u>Natomas Pacific Pathways Prep Middle School</u></b>			
Certificate Numbers	E3985CE9		F1D4A378
<u>Classroom-Based:</u>			
Elementary:			
Fourth through Sixth	161		160
Seventh and Eighth	334		333
Total Natomas Pacific Pathways Prep Middle School	495		493

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2018

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b><u>Natomas Pacific Pathways Prep High School - Classroom-Based</u></b>		
Certificate Numbers	2123877F	3F0DB905
Secondary: Ninth through Twelfth	<u>596</u>	<u>594</u>
<b><u>Westlake Charter School</u></b>		
Certificate Numbers	B26278E9	6C4B5019
<u>Classroom-Based:</u>		
Elementary:		
Transitional Kindergarten through Third	425	425
Fourth through Sixth	300	300
Seventh and Eighth	<u>164</u>	<u>165</u>
Total Westlake Charter School	<u>889</u>	<u>890</u>
<b><u>Leroy Greene Academy Charter School</u></b>		
Certificate Numbers	F1EC11AF	11990C48
<u>Classroom-Based:</u>		
Elementary:		
Fourth through Sixth	153	152
Seventh and Eighth	276	276
Secondary:		
Ninth through Twelfth	<u>320</u>	<u>319</u>
Total Leroy Greene Academy Charter School	<u>749</u>	<u>747</u>

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See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2018

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District</u>				
Kindergarten	36,000	51,240	180	In Compliance
Grade 1	50,400	54,120	180	In Compliance
Grade 2	50,400	54,120	180	In Compliance
Grade 3	50,400	54,120	180	In Compliance
Grade 4	54,000	56,640	180	In Compliance
Grade 5	54,000	56,640	180	In Compliance
Grade 6	54,000	56,640	180	In Compliance
Grade 7	54,000	64,895	180	In Compliance
Grade 8	54,000	64,895	180	In Compliance
Grade 9	64,800	65,440	180	In Compliance
Grade 10	64,800	65,440	180	In Compliance
Grade 11	64,800	65,440	180	In Compliance
Grade 12	64,800	65,440	180	In Compliance
<u>Natomas Pacific Pathways Prep Elementary School - Classroom-Based</u>				
Kindergarten	36,000	60,990	178	In Compliance
Grade 1	50,400	59,700	178	In Compliance
Grade 2	50,400	59,700	178	In Compliance
Grade 3	50,400	59,700	178	In Compliance
Grade 4	54,000	59,475	178	In Compliance
Grade 5	54,000	59,475	178	In Compliance
<u>Natomas Pacific Pathways Prep Middle School - Classroom-Based</u>				
Grade 6	54,000	63,322	178	In Compliance
Grade 7	54,000	63,322	178	In Compliance
Grade 8	54,000	63,322	178	In Compliance
<u>Natomas Pacific Pathways Prep High School - Classroom-Based</u>				
Grade 9	64,800	67,441	178	In Compliance
Grade 10	64,800	67,441	178	In Compliance
Grade 11	64,800	67,441	178	In Compliance
Grade 12	64,800	67,441	178	In Compliance

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2018

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<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>Westlake Charter School - Classroom-Based</u>				
Kindergarten	36,000	51,240	180	In Compliance
Grade 1	50,400	56,970	180	In Compliance
Grade 2	50,400	56,970	180	In Compliance
Grade 3	50,400	56,970	180	In Compliance
Grade 4	54,000	56,970	180	In Compliance
Grade 5	54,000	56,970	180	In Compliance
Grade 6	54,000	64,330	180	In Compliance
Grade 7	54,000	64,330	180	In Compliance
Grade 8	54,000	64,330	180	In Compliance
<u>Leroy Green Academy - Classroom- Based</u>				
Grade 7	54,000	67,551	178	In Compliance
Grade 8	54,000	67,551	178	In Compliance
Grade 9	64,800	67,551	178	In Compliance

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See accompanying notes to supplementary information.



NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

<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 Services, Part B, Sec 611	15321	\$ 123,850
84.027	Special Education: IDEA Basic and Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	13379	2,056,840
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	163,576
84.173	Special Education: IDEA Preschool Local Entitlement, Part B, Sec 619	13430	<u>54,181</u>
	Subtotal Special Education Cluster		<u>2,398,447</u>
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant Education Program	15146	2,613
84.365	ESEA: Title III, English Learner Student Program	14346	<u>252,286</u>
	Subtotal ESEA: Title III Programs		<u>254,899</u>
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	236,526
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	1,697,407
84.196	ESEA: Education for Homeless Children and Youth	14332	71,485
84.282A	NCLB: Title V, Part B, Charter School Grants	14941	14,524
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	<u>72,998</u>
	Total U.S. Department of Education		<u>4,746,286</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	566,357
93.778	School Based Medi-Cal Administrative Activities	10060	<u>13,123</u>
	Subtotal Medicaid Cluster		<u>579,480</u>
	Total U.S. Department of Health and Human Services		<u>579,480</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

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<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 Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13523	\$ 3,661,177
10.559	Child Nutrition: Summer Food Service Program	13004	<u>266,535</u>
	Subtotal Child Nutrition Cluster		<u>3,927,712</u>
	Total U.S. Department of Agriculture		<u>3,927,712</u>
	Total Federal Programs		<u>\$ 9,253,478</u>

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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, 2018

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	Bond Interest and Redemption <u>Fund</u>
Unaudited Actual Financial Statements ending Fund Balances June 30, 2018	\$ 13,790,003
Adjustment to record the use of funds from issuance of debt in 2016-2017	<u>1,203,180</u>
Audited Ending Fund Balances, June 30, 2018	<u>\$ 14,993,183</u>
	Building <u>Fund</u>
Unaudited Actual Financial Statements ending Fund Balances June 30, 2018	\$ 18,951,006
Adjustment to record activity related to COPs in 2016-2017	<u>619,824</u>
Audited Ending Fund Balances, June 30, 2018	<u>\$ 19,570,830</u>

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

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See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2018  
(UNAUDITED)

	(Budget) 2019	2018	2017	2016
<u>General Fund</u>				
Revenues and other financing sources	\$ 113,932,676	\$ 107,504,674	\$ 107,061,921	\$ 102,837,287
Expenditures	<u>117,340,698</u>	<u>111,031,950</u>	<u>100,614,717</u>	<u>96,572,664</u>
Total outgo	<u>117,340,698</u>	<u>111,031,950</u>	<u>100,614,717</u>	<u>96,572,664</u>
Change in fund balance	<u>\$ (3,408,022)</u>	<u>\$ (3,527,276)</u>	<u>\$ 6,447,204</u>	<u>\$ 6,264,623</u>
Ending fund balance	<u>\$ 17,855,045</u>	<u>\$ 21,263,067</u>	<u>\$ 24,790,343</u>	<u>\$ 18,343,139</u>
Available reserves	<u>\$ 3,541,000</u>	<u>\$ 3,322,000</u>	<u>\$ 3,040,000</u>	<u>\$ 2,890,000</u>
Designated for economic uncertainties	<u>\$ 3,541,000</u>	<u>\$ 3,322,000</u>	<u>\$ 3,040,000</u>	<u>\$ 2,890,000</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 428,015,216</u>	<u>\$ 437,206,479</u>	<u>\$ 438,465,952</u>	<u>\$ 373,627,333</u>
Average daily attendance at P-2, excluding Charter School	<u>9,390</u>	<u>9,363</u>	<u>9,323</u>	<u>9,537</u>

The General Fund fund balance has increased by \$9,184,551 over the past three years. The District has incurred operating surpluses in two of the past three years, and anticipates incurring a deficit of \$3,408,022 during the 2018-2019 fiscal year. For a district this size, the State requires available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

Total long-term liabilities have increased by \$63,579,146 over the past two years.

Average daily attendance has decreased by 174 over the past two years. The District anticipates a increase of 27 ADA for the 2018-2019 fiscal year.

See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2018

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<u>Charter #</u>	<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1803	NP3 (Natomas Pacific Pathway Prep) Elementary School	Included in the Charter School Fund
1106	NP3 (Natomas Pacific Pathway Prep) Middle School	Included in the Charter School Fund
0823	NP3 (Natomas Pacific Pathway Prep) High School	Included in the Charter School Fund
0711	Westlake Charter School	Included in the Charter School Fund
1405	Leroy Greene Academy Charter School	Included in the Charter School Fund

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See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FIRST 5 REVENUES AND EXPENSES  
For the Year Ended June 30, 2018

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	<u>First 5/ School Readiness</u>
Revenues	
Other local sources	\$ <u>389,269</u>
Expenditures:	
Current:	
Certificated salaries	130,856
Classified salaries	129,969
Employee benefits	82,798
Books and supplies	8,567
Contract services and operating expenditures	<u>37,079</u>
Total expenditures	<u>389,269</u>
Excess of revenues over expenditures	<u>-</u>
Fund balances, July 1, 2017	<u>-</u>
Fund balances, July 1, 2018	<u><u>\$ -</u></u>

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See accompanying notes to supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2018

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**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. The District neither met nor exceeded its target funding. 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

The Schedule of Expenditure of Federal Awards includes the federal award activity of Natomas Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 9,011,965
Add:		
Medi-Cal Billing Option expenditures in excess of revenues	93.788	392,847
Less:		
Medi-Cal Administrative Activities funding not spent	93.788	(82,781)
Child Nutrition Programs funding not spent	10.555	<u>(68,553)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 9,253,478</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.

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(Continued)

**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

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 2018-2019 fiscal year, as required by the State Controller's Office. The information on this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and 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, 2018, 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<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
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(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 Apprenticeship: Related and Supplemental Instruction, therefore we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.

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

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

The District does not have Non-Classroom Based charter schools therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study, for charter schools and Determination of Funding for Nonclassroom-Based Instruction, for charter schools.

The District did not received funding from the Charter School Facility Grant Program in fiscal year ended June 30, 2018.

### ***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 Natomas Unified School District's compliance with state laws and regulations as listed above 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 the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Natomas Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Natomas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion Natomas Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

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(Continued)

## 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 *2017-18 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 LLP*

Crowe LLP

Sacramento, California  
December 5, 2018

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, 2018, 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 5, 2018.

### **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 significant deficiency in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2018-001.

## 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*.

### Other Matter

Natomas Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of Audit Findings and Questioned Costs. Natomas Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 LLP

Sacramento, California  
December 5, 2018

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, 2018.

***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, 2018.



Crowe LLP

Sacramento, California  
December 5, 2018

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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(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 the Uniform Guidance 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe LLP*

Crowe LLP

Sacramento, California  
December 5, 2018



## **FINDINGS AND RECOMMENDATIONS**

NATOMAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2018

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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)?   X   Yes    \_\_\_\_\_ 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 2 CFR 200.516(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 Cluster

Dollar threshold used to distinguish between Type A  
and Type B programs: \$     750,000

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

**STATE AWARDS**

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

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2018-001 SIGNIFICANT DEFICIENCY - INTERNAL CONTROL - CAPITAL ASSET ACCOUNTING (30000)**

Criteria

Governmental accounting standards require that amounts should be recorded as work in process while the asset is being constructed, with the balances transferred from work in process to the appropriate depreciable asset category once construction is complete.

Condition

Since fiscal year 2013-14, work in process balances were not appropriately cleared when the assets were placed into service.

Effect

Potential misstatement of capital assets.

Cause

Established procedures have not been implemented and followed.

Fiscal Impact

Not determinable.

Recommendation

Detailed records of capital assets should be maintained and updated regularly, including a detailed analysis of items recorded as work-in-process to determine if certain assets have been placed in service at each reporting date.

View of Responsible Officials and Planned Corrective Actions

During the 2017-18 fiscal year, staff performed a detailed review of capital asset accounts. Capital assets and work in progress were reconciled and corrected to reflect actual balances. Staff will continue to maintain and update capital assets regularly.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

NATOMAS UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2018

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2017-01</b>  <u>Condition:</u> At Inderkum High School, there is no evidence that a profit and loss statement is prepared and reviewed for the student store.  <u>Recommendation:</u> School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:	Implemented.	