

**NATOMAS UNIFIED
SCHOOL DISTRICT**

**COUNTY OF SACRAMENTO
SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2019

NATOMAS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Natomas Unified School District
Sacramento, California**

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2018 financial statements have been restated to correct misstatements. 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 and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

The Supplementary Information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the 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 District's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

December 4, 2019

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2019

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, 2019. 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 three 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.



- *Proprietary funds* – The District utilizes proprietary funds to account for business-type activities which include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.
- *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 2018, the District had 10,293 students that attended traditional (non-charter) schools.
- The average daily attendance (ADA), which much of the District's revenue is based, was 9,759 (Figure excludes county pass through programs).
- The ratio of attendance to CALPADS enrollment was approximately 94.87%.
- The District's General Fund ending cash balance for June 30, 2019 was \$20.6 million.
- The District's LCFF base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3rd grades at \$7,459/ADA; Grades 4th – 6th at \$7,571/ADA; Grades 7th - 8th grade at \$7,796/ADA; and Grades 9th – 12th at \$9,034/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 adjusted unduplicated pupil percentage is 63.51%.
- 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 District's net position is presented by category in the table below:

Table 1 – Net Position

	Government-Wide Statement of Net Position		
	June 30, 2019	June 30, 2018	Change
Assets			
Current and other assets	\$ 155,892,753	\$ 106,051,400	\$ 49,841,353
Capital assets, net of depreciation	441,849,817	429,069,874	12,779,943
Total Assets	597,742,570	535,121,274	62,621,296
Deferred Outflows of Resources			
Deferred outflows - pensions	42,822,001	46,125,710	(3,303,709)
Deferred outflows - related to OPEB	183,226	-	-
Deferred outflows - refunding of debt	2,357,289	2,561,783	(204,494)
Total Deferred Outflows	45,362,516	48,687,493	(3,324,977)
Liabilities			
Current liabilities	27,831,415	25,154,415	2,677,000
Long-term obligations	466,424,647	425,907,284	40,517,363
Total Liabilities	494,256,062	451,061,699	43,194,363
Deferred Inflows of Resources			
Deferred outflows - related to OPEB	9,672	-	9,672
Deferred inflows - pensions	13,777,868	6,396,000	7,381,868
	13,787,540	6,396,000	7,391,540
Net Position			
Invested in capital assets, net of related debt	60,720,256	178,743,742	(118,023,486)
Restricted	126,579,847	98,049,771	28,530,076
Unrestricted	(52,238,619)	(150,442,445)	98,203,826
Total Net Position	\$ 135,061,484	\$ 126,351,068	\$ 8,710,416

Total Government Wide Net Position increased by approximately \$9 million during the 2018/19 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 increased 24% to approximately \$201.3 million. General revenues accounted for most of the District's revenue, contributing approximately 81% 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 decreased approximately \$25 million to \$192.6 million, of which 72% of the expenses are primarily related to educating and caring for students. Administrative activities of the District decreased by \$37.9 million primarily due to the reconciliation of capital assets including work in process in the 17-18 fiscal year.

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

Table 2 – Change in Net Position

	Government-Wide Statement of Activities		
	June 30, 2019	June 30, 2018	Change
Revenues			
Program revenues:			
Charges for services	\$ 3,447,029	\$ 12,142,173	\$ (8,695,144)
Operating grants and contributions	33,833,995	25,379,559	8,454,436
Capital grants and contributions	-	-	-
General revenues:			
Taxes levied for general purposes	26,695,502	24,139,419	2,556,083
Taxes levied for debt service	21,071,940	17,682,449	3,389,491
Taxes levied for other specific purposes	6,703	2,256	4,447
Unrestricted federal and state aid	99,819,476	91,512,009	8,307,467
Interest and investment earnings	2,373,428	686,677	1,686,751
Interagency revenues	750,999	405,987	345,012
Other general revenue	2,628,543	923,785	1,704,758
Developer Fees	10,650,063	-	-
Special Item	-	(10,510,571)	10,510,571
Total Revenues	\$ 201,277,678	\$ 162,363,743	\$ 38,913,935
Expenses			
Instruction-related	\$ 121,104,440	\$ 119,417,888	\$ 1,686,552
Student support services	17,261,985	14,974,220	2,287,765
Administration	13,931,803	51,834,030	(37,902,227)
Maintenance and operations	22,532,320	21,434,438	1,097,882
Interest on long-term liabilities	11,473,440	7,772,866	3,700,574
Other	6,263,274	2,557,770	3,705,504
Total Expenses	\$ 192,567,262	\$ 217,991,212	\$ (25,423,950)
Net Position			
Change in net position	8,710,416	(55,627,469)	64,337,885
Cumulative effect of GASB 75	-	(6,801,695)	-
Restatement	-	284,927	-
Net Position, Beginning of the Year	126,351,068	188,495,305	(62,144,237)
Net Position, End of the Year	\$ 135,061,484	\$ 126,351,068	\$ 8,710,416



Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities was \$193 million and \$218 million for June 30, 2019 and 2018, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$47.8 million and \$41.8 million for June 30, 2019 and 2018, 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	
	2019	2018	2019	2018
Instruction	\$ 96,460,795	\$ 98,335,768	\$ 74,951,019	\$ 83,999,432
Instruction related	24,643,645	21,082,120	20,885,545	19,110,946
Pupil services	17,261,985	14,974,220	10,151,372	9,200,886
Administration	13,931,803	51,834,030	12,115,319	50,646,590
Maintenance and operations	22,532,320	21,434,438	21,945,830	21,368,359
Interest on long-term debt	11,473,440	7,772,866	11,473,440	7,772,866
Other	6,263,274	2,557,770	3,763,713	(11,629,599)
Totals	\$ 192,567,262	\$ 217,991,212	\$ 155,286,238	\$ 180,469,480

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, its funds reported a combined fund balance of \$144.1 million, which is a net increase of \$47.8 million from the prior year.

Table 4 – Governmental Funds

	Balances and Activity		
	June 30, 2018	Net Change	June 30, 2019
General	\$ 21,263,067	\$ (897,952)	\$ 20,365,115
Charter Schools Fund	18,671,309	3,605,866	22,277,175
Building Fund	18,951,005	42,674,351	61,625,356
Capital Facilities Fund	20,285,597	2,677,131	22,962,728
Bond Interest and Redemption Fund	13,790,003	2,052,637	15,842,640
All Non-Major Funds	1,457,189	(453,228)	1,003,961
Total Governmental Funds	\$ 94,418,170	\$ 49,658,805	\$ 144,076,975



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, increased approximately \$12.8 million primarily because of ongoing construction projects.

Table 5 – Capital Assets at Year-End

	Governmental Activities		
	2019	2018	Net Change
Land	\$ 71,020,635	\$ 71,020,635	\$ -
Improvement of Sites	7,543,913	5,305,224	2,238,689
Buildings	347,719,675	338,793,275	8,926,400
Equipment	4,981,767	3,538,991	1,442,776
Construction in Progress	10,583,827	10,411,749	172,078
Total Capital Assets, net	\$ 441,849,817	\$ 429,069,874	\$ 12,779,943

Outstanding Debt at Year-End

As illustrated below, total long-term liabilities increased by approximately \$48.8 million, net. This increase is primarily related to the issuance of Certificates of Participation.

Table 6 – Outstanding Debt at Year-End

	Governmental Activities		
	2019	2018	Net Change
General Obligation Bonds	\$ 234,512,720	\$ 242,888,302	\$ (8,375,582)
Accreted Interest	16,439,182	16,121,663	317,519
Unamortized Premiums on Issuances of GO Bonds	13,159,047	12,703,863	455,184
Certificates of Participation	56,450,000	-	56,450,000
Compensated Absences	229,481	207,980	21,501
Capital Leases	250,637	334,183	(83,546)
Total Outstanding Debt	\$ 321,041,067	\$ 272,255,991	\$ 48,785,076



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



NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 147,258,999	\$ 155,042	\$ 147,414,041
Accounts receivable	8,512,744	1,867	8,514,611
Inventories	42,522		42,522
Internal balances	78,488	(78,488)	
Depreciable capital assets (net)	360,245,355		360,245,355
Nondepreciable capital assets	<u>81,604,462</u>		<u>81,604,462</u>
Total assets	<u>597,742,570</u>	<u>78,421</u>	<u>597,820,991</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	42,822,001		42,822,001
Deferred outflows of resources related to OPEB	183,226		183,226
Deferred amount on debt refunding	<u>2,357,289</u>		<u>2,357,289</u>
Total deferred outflows of resources	<u>45,362,516</u>		<u>45,362,516</u>
LIABILITIES			
Accounts payable	11,454,032		11,454,032
Interest payable	4,438,063		4,438,063
Unearned revenue	361,746		361,746
Long-term liabilities, due within one year	11,577,574		11,577,574
Due in more than one year:			
Total OPEB liability	18,899,763		18,899,763
Net pension liability	138,061,391		138,061,391
Other long-term liabilities	<u>309,463,493</u>		<u>309,463,493</u>
Total liabilities	<u>494,256,062</u>		<u>494,256,062</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB	9,672		9,672
Deferred inflows of resources related to pensions	<u>13,777,868</u>		<u>13,777,868</u>
Total deferred inflows of resources	13,787,540		13,787,540
NET POSITION			
Net investment in capital assets	60,720,256		60,720,256
Restricted for:			
Capital projects	84,607,417		84,607,417
Debt service	15,842,640		15,842,640
Educational programs	23,703,743		23,703,743
Cafeteria enterprise		78,421	78,421
Other purposes (expendable)	2,426,047		2,426,047
Unrestricted	<u>(52,238,619)</u>		<u>(52,238,619)</u>
Total net position	<u>\$ 135,061,484</u>	<u>\$ 78,421</u>	<u>\$ 135,139,905</u>

The accompanying notes are an integral part of these financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 96,460,795	\$ 352,147	\$ 21,157,629	\$ (74,951,019)		\$ (74,951,019)
Instruction-related services:						
Instructional supervision and administration	7,758,512	59,966	2,013,896	(5,684,650)		(5,684,650)
Instructional library, media and technology	2,729,936	9,672	84,462	(2,635,802)		(2,635,802)
School site administration	14,155,197	32,275	1,557,829	(12,565,093)		(12,565,093)
Pupil services:						
Pupil transportation	3,362,834		184,742	(3,178,092)		(3,178,092)
Food services	6,446,358	939,920	4,422,430	(1,084,008)		(1,084,008)
Other pupil services	7,452,793	20,488	1,543,033	(5,889,272)		(5,889,272)
Plant services	22,532,320	9,031	577,459	(21,945,830)		(21,945,830)
Ancillary services	1,389,855		43,937	(1,345,918)		(1,345,918)
Community services	18,572	1,171	13,791	(3,610)		(3,610)
General administration:						
Data processing services	2,839,715		199,058	(2,640,657)		(2,640,657)
Other general administration	11,092,088	104,118	1,513,308	(9,474,662)		(9,474,662)
Interest and other charges	11,473,440			(11,473,440)		(11,473,440)
Bond issuance costs	549,647			(549,647)		(549,647)
Other outgo	1,319,805	1,918,241	522,421	1,120,857		1,120,857
Depreciation (unallocated)	<u>2,985,395</u>			<u>(2,985,395)</u>		<u>(2,985,395)</u>
Total governmental activities	<u>192,567,262</u>	<u>3,447,029</u>	<u>33,833,995</u>	<u>(155,286,238)</u>		<u>(155,286,238)</u>
Business-type activities:						
Cafeteria	<u>51,861</u>	<u>44,820</u>	<u>702</u>		\$ (6,339)	<u>(6,339)</u>
Total	<u>\$ 192,619,123</u>	<u>\$ 3,491,849</u>	<u>\$ 33,834,697</u>	<u>(155,286,238)</u>	<u>(6,339)</u>	<u>(155,292,577)</u>
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				26,695,502		26,695,502
Taxes levied for debt service				21,071,940		21,071,940
Taxes levied for other specific purposes				6,703		6,703
Federal and state aid not restricted to specific purposes				99,819,476		99,819,476
Developer fees				10,650,063		10,650,063
Interest and investment earnings				2,373,428	2,327	2,375,755
Interagency revenues				750,999		750,999
Internal transfers				15,834	(15,834)	
Miscellaneous revenue				<u>2,612,709</u>		<u>2,612,709</u>
Total general revenues				<u>163,996,654</u>	<u>(13,507)</u>	<u>163,983,147</u>
Increase (decrease) in net position				8,710,416	(19,846)	8,690,570
Net position, beginning of year, as restated				<u>126,351,068</u>	<u>98,267</u>	<u>126,449,335</u>
Net position - ending				<u>\$ 135,061,484</u>	<u>\$ 78,421</u>	<u>\$ 135,139,905</u>

The accompanying notes are an integral part of these financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2019

	General Fund	Charter School Fund	Building Fund	Capital Facilities Funds	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and equivalents	\$ 22,451,573	\$ 22,535,821	\$ 62,675,264	\$ 23,742,434	\$ 15,795,996	\$ 57,911	\$ 147,258,999
Accounts receivable	5,502,150	803,535	501,292	426,902	90,297	1,188,568	8,512,744
Due from other funds	1,379,938	280,172	32,776			246,739	1,939,625
Inventories						42,522	42,522
Total assets	<u>\$ 29,333,661</u>	<u>\$ 23,619,528</u>	<u>\$ 63,209,332</u>	<u>\$ 24,169,336</u>	<u>\$ 15,886,293</u>	<u>\$ 1,535,740</u>	<u>\$ 157,753,890</u>
LIABILITIES							
Accounts payable	\$ 8,217,141	\$ 641,941	\$ 1,583,976	\$ 887,106		\$ 123,868	\$ 11,454,032
Due to other funds	446,960	700,412		319,502		394,263	1,861,137
Unearned revenue	304,445				\$ 43,653	13,648	361,746
Total liabilities	<u>8,968,546</u>	<u>1,342,353</u>	<u>1,583,976</u>	<u>1,206,608</u>	<u>43,653</u>	<u>531,779</u>	<u>13,676,915</u>
FUND BALANCES							
Nonspendable	35,000	5,000				42,522	82,522
Restricted	3,646,676	21,527,472	61,625,356	22,962,728	15,842,640	974,973	126,579,845
Committed	12,064,552						12,064,552
Assigned	712,533	744,703					1,457,236
Unassigned	3,906,354					(13,534)	3,892,820
Total fund balances	<u>20,365,115</u>	<u>22,277,175</u>	<u>61,625,356</u>	<u>22,962,728</u>	<u>15,842,640</u>	<u>1,003,961</u>	<u>144,076,975</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 29,333,661</u>	<u>\$ 23,619,528</u>	<u>\$ 63,209,332</u>	<u>\$ 24,169,336</u>	<u>\$ 15,886,293</u>	<u>\$ 1,535,740</u>	<u>\$ 157,753,890</u>

The accompanying notes are an integral part of these financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total fund balance, governmental funds	\$ 144,076,975
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is \$569,144,424 and the accumulated depreciation is \$127,294,607	441,849,817
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In governmental funds, interest on long-term debt 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. The additional liability for unmatured interest owing at the end of the period was:	(4,438,063)
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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, net of unamortized premiums, are included in governmental activities in the statement of net position as follows:

General obligation bonds	(234,512,720)
Certificates of participation	(56,450,000)
Accreted interest	(16,439,182)
Unamortized premium on issuance of debt	(13,159,047)
Capital leases payable	(250,637)
Total OPEB liability	(18,899,763)
Compensated absences	(229,481)
Net pension liability	(138,061,391)

In governmental funds, deferred outflows and inflows of resources relating to pensions and refunding are not reported because they are applicable to future periods. In the statement of net position, deferred outflow and inflows of resources are reported as follows:

Deferred outflows of resources related to pensions	42,822,001
Deferred outflows of resources resulting from deferred amount on refundings	2,357,289
Deferred outflows of resources related to OPEB	183,226
Deferred inflows of resources related to OPEB	(9,672)
Deferred inflows of resources related to pension	<u>(13,777,868)</u>

Total net position, governmental activities	<u>\$ 135,061,484</u>
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NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2019

	General Fund	Charter School Fund	Building Fund	Capital Facilities Funds	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
State apportionments	\$ 79,040,078	\$ 22,124,348					\$ 101,164,426
Local sources	17,909,792	5,540,405					23,450,197
Total local control funding formula	96,949,870	27,664,753					124,614,623
Federal revenues	4,885,052	128,063				\$ 4,150,506	9,163,621
Other state revenues	15,196,802	3,751,677	\$ 6,047	\$ 699	\$ 133,364	2,156,122	21,244,711
Other local revenues	6,961,280	1,548,380	741,151	11,157,024	21,127,664	996,320	42,531,819
Total revenues	<u>123,993,004</u>	<u>33,092,873</u>	<u>747,198</u>	<u>11,157,723</u>	<u>21,261,028</u>	<u>7,302,948</u>	<u>197,554,774</u>
EXPENDITURES							
Current:							
Instruction	73,303,235	18,913,672				1,307,924	93,524,831
Instruction-related services:							
Supervision of instruction	7,223,098	85				80,273	7,303,456
Instructional library, media and tech	2,565,098						2,565,098
School site administration	7,644,920	5,341,521				195,990	13,182,431
Pupil services:							
Pupil transportation	2,571,232	395,684					2,966,916
Food services	62,259					5,887,320	5,949,579
Other pupil services	5,917,979	1,024,678				6,180	6,948,837
Ancillary services	1,280,489	83,752					1,364,241
Enterprise activities	5,199						5,199
Community services	3,239					14,299	17,538
General administration:							
Data processing services	2,517,952						2,517,952
Other general administration	8,020,045	1,015,972		69,213		359,569	9,464,799
Plant services	11,782,732	2,184,271	1,015			53,516	14,021,534
Debt service:							
Principal		83,546			8,375,582		8,459,128
Interest and other charges	370	9,161	758,939		10,832,809		11,601,279
COP issuance costs			549,647				549,647
Capital outlay	1,472,865	1,500	14,426,423	7,911,922			23,812,710
Transfers to other agencies	1,312,211	7,594					1,319,805
Total expenditures	<u>125,682,923</u>	<u>29,061,436</u>	<u>15,736,024</u>	<u>7,981,135</u>	<u>19,208,391</u>	<u>7,905,071</u>	<u>205,574,980</u>
Excess (deficiency) of revenues over expenditures	<u>(1,689,919)</u>	<u>4,031,437</u>	<u>(14,988,826)</u>	<u>3,176,588</u>	<u>2,052,637</u>	<u>(602,123)</u>	<u>(8,020,206)</u>
OTHER FINANCING SOURCES (USES)							
Interfund transfers out	(133,061)	(605,526)		(499,457)			(1,238,044)
Proceeds from issuance of COPs			56,450,000				56,450,000
Premium on COPs issued			1,213,177				1,213,177
Interfund transfers in	925,028	179,955				148,895	1,253,878
Total other financing sources (uses)	<u>791,967</u>	<u>(425,571)</u>	<u>57,663,177</u>	<u>(499,457)</u>		<u>148,895</u>	<u>57,679,011</u>
Increase (decrease) in fund balances	(897,952)	3,605,866	42,674,351	2,677,131	2,052,637	(453,228)	49,658,805
Fund balances - beginning, as restated	<u>21,263,067</u>	<u>18,671,309</u>	<u>18,951,005</u>	<u>20,285,597</u>	<u>13,790,003</u>	<u>1,457,189</u>	<u>94,418,170</u>
Fund balances - ending	<u>\$ 20,365,115</u>	<u>\$ 22,277,175</u>	<u>\$ 61,625,356</u>	<u>\$ 22,962,728</u>	<u>\$ 15,842,640</u>	<u>\$ 1,003,961</u>	<u>\$ 144,076,975</u>

The accompanying notes are an integral part of these financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds:	\$ 49,658,805
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$23,539,947) exceeds depreciation expense (\$10,648,775) in the period.	12,891,172
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	8,459,128
Gain or loss from disposal of capital assets: in governmental funds, the entire proceeds from capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The resulting gain (loss) from disposed assets was:	(88,743)
Proceeds from debt and the related premium are recognized as Other Financing Sources in governmental funds. However, debt increases long-term liabilities in the statement of net position.	(57,663,177)
Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses/revenues when earned by employees.	(21,501)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.	(108,141)
Capital projects cancelled or written off are charged to expense in the period the project is cancelled.	(22,486)
Accreted interest is an expense that is not reported in the governmental funds.	(317,519)
In government funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premiums and deferred debt refunding, for the period is:	553,499
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. The difference between accrual-basis pension costs and actual employer contributions was:	(3,915,968)
To adjust for the LEA's liabilities in total OPEB liability; and to recognize OPEB expense deferred inflows of resources relating to OPEB, and deferred outflows of resources to OPEB.	<u>(714,653)</u>
Change in net position of governmental activities	<u>\$ 8,710,416</u>

The accompanying notes are an integral part of these financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND - CAFETERIA ENTERPRISE FUND
JUNE 30, 2019

ASSETS

Cash and equivalents	\$ 155,042
Accounts receivable	1,867
Due from other funds	<u>33,524</u>
Total assets	<u>190,433</u>

LIABILITIES

Due to other funds	<u>112,012</u>
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NET POSITION

Unrestricted	<u>78,421</u>
Total net position	<u><u>\$ 78,421</u></u>

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION PROPRIETARY FUND - CAFETERIA ENTERPRISE FUND YEAR ENDED JUNE 30, 2019

OPERATING REVENUES

Charges for services	\$ 44,820
Other state revenue	<u>702</u>
Total operating revenue	<u>45,522</u>

OPERATING EXPENSES

Enterprise activities	<u>51,861</u>
Operating loss	(6,339)

NON-OPERATING REVENUES (EXPENSES)

Interest income	2,327
Operating transfers to other funds	<u>(15,834)</u>
Total non-operating revenue (expenses)	<u>(13,507)</u>

Decrease in net position	(19,846)
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Net position, beginning of year	<u>98,267</u>
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Net position - ending	<u><u>\$ 78,421</u></u>
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NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND - CAFETERIA ENTERPRISE FUND YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from enterprise activities	\$ 49,649
Other operating receipts	702
Payments for interfund services used	48,901
Receipts from interfund services provided	92,696
Payments for services	<u>(51,861)</u>
Net cash and equivalents provided by operating activities	140,087

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	(15,834)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,327</u>
Net increase in cash and equivalents	126,580
Cash and equivalents, beginning of year	<u>28,462</u>
Cash and equivalents, end of year	<u>\$ 155,042</u>

RECONCILIATION OF OPERATING LOSS TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (6,339)
Changes in operating assets and liabilities:	
Accounts receivable	4,829
Due to other funds	48,901
Due from other funds	<u>92,696</u>
Net cash and equivalents provided by operating activities	<u>\$ 140,087</u>

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Scholarship Trust Fund	Student Body Agency Fund
ASSETS		
Cash and equivalents	\$ 15,370	\$ 438,271
Other receivables	<u>201</u>	<u></u>
Total assets	<u>\$ 15,571</u>	<u>\$ 438,271</u>
LIABILITIES		
Due to student groups	<u></u>	<u>\$ 438,271</u>
NET POSITION		
Restricted for scholarships	<u>\$ 15,571</u>	

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED JUNE 30, 2019

	<u>Scholarship Trust Fund</u>
REVENUES:	
Other local sources	<u>\$ 2,863</u>
EXPENDITURES:	
Community Services	<u>3,449</u>
Change in net position	(586)
Net position - beginning of year	<u>16,157</u>
Net position - end of year	<u>\$ 15,571</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

A. 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 and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District operates five charter schools pursuant to Education Code Section 47605 (see Note 2). The charter schools are nonprofit, public benefit corporations incorporated under the laws of the State of California. While the charter schools are separate legal entities, the schools operate under the authority of the District, who exercises oversight in accordance with the charter petitions and state law. Additionally, the District and charter schools have a financial and operational relationship which meet the reporting entity definition criteria of GASB for inclusion as a component unit of the District. The activity of the charter schools have been blended with the financial data of the District in the District's Charter School Special Revenue Fund.

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 GASB for inclusion of the Corporation as a component unit of the District. Therefore, the financial activities of the Corporation have been included in the basic financial statements of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and was created for the sole purpose of assisting the District. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District in the District's Building Fund. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. These statements distinguish between the governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The District maintains one proprietary fund, the Cafeteria Enterprise Fund. The principal operating revenues of the fund are charges for cafeteria services. Operating expenses include the costs of cafeteria operations.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined "available" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. 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, deferred outflows, liabilities, deferred inflows, fund equity, 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. The District's accounts are organized into major, non-major, enterprise, and the fiduciary fund as follows:

Major Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures 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. Additionally, the Special Reserve for Other Postemployment Benefits Fund has been combined with the General Fund because it does not meet the definition of a Special Revenue Fund under GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definition*.

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 the District's Charter Schools.

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.

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

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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The **Adult Education Fund** is used to account for state, federal and local revenues for adult educational programs.

The **Child Development Fund** is used to account for state, federal and local revenues to operate child development programs.

The **Cafeteria Fund** is used to account for state, federal and local revenues to operate the food services program.

Capital Projects Funds are used to account for the acquisition or construction of all major governmental general capital facilities and other capital assets. The District maintains the following non-major capital projects funds:

The **County School Facilities Fund** is used to account for state apportionment provided for the construction and reconstruction of school facilities under SB50.

The **Special Reserve for Capital Outlay Projects Fund**, a Capital Projects Fund, is used to account for resources accumulated from the general fund for capital outlay purposes and any other revenue specifically for capital projects that are not restricted to a specific capital projects fund.

Non-Major Proprietary Fund

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

Non-Major Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. The District maintains the following fiduciary 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.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. A budget is not maintained for the Debt Service Fund because it is fiscally monitored by the County of Sacramento. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Charter School Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period. At June 30, 2019, the District had no prepaid items.

I. 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.

J. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Contributions made to the District's pension and OPEB plans after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension and OPEB liabilities in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 9 for further details related to the pension deferred outflows and inflows. See Note 10 for details related to the OPEB deferred outflows and inflows.

K. PENSIONS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

M. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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 when the employee retires.

N. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Trustees) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that include amounts which the Board or its designee intend to use for a specific purpose, but do not meet the criteria to be classified as restricted or committed. The Board delegates authority to assign funds to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District's Board policy is to maintain a minimum unassigned fund balance, which includes a reserve for economic uncertainties, equal to at least 9%. As of June 30, 2019, the District had a Reserve for Economic Uncertainty of \$3,771,000 in the General Fund's unassigned fund balance which represents 3% of budgeted general fund expenditures and other financing uses. Additionally, the District has two established stabilization arrangements, including one for SELPA. See Note 8 for further details related to the District's fund balance classifications.

O. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Sacramento bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows 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. Actual amounts could differ from those estimates.

Q. FUTURE ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, with required implementation for the District during the year ending June 30, 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

In June 2017, the GASB issued Statement No. 87, Leases, with required implementation for the District during the year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Management is in the process of evaluating the impact these two new statements will have on the District's future financial statements.

R. RESTATEMENT OF NET POSITION/FUND BALANCES DUE TO CUMULATIVE EFFECT OF CORRECTION OF ERRORS

During the year ended June 30, 2019, the District made adjustments to correct reported cash with fiscal agent and cash in county treasury balances for the year ended June 30, 2018. The District also made corrections to its calculation of accreted interest and principal balances related to the 2004 Series B capital appreciation bonds for the year ended June 30, 2018. The effects of the adjustments are as follows:

	Governmental Activities	Building Fund	Bond Interest & Redemption Fund
District's net position/fund balances, beginning of year, as previously reported	\$ 126,066,141	\$ 19,570,830	\$ 14,993,183
Reduction to Building Funds cash with fiscal agent	(619,825)	(619,825)	
Reduction to Bond Interest and Redemption Funds cash in county treasury	(1,203,180)		(1,203,180)
Reduction of accreted interest on Series 2004 B capital appreciation bonds	3,038,433		
Addition of outstanding principal of Series 2004 B capital appreciation bonds	<u>(930,501)</u>	<u> </u>	<u> </u>
District's net position/fund balance, beginning of year, as restated	<u>\$ 126,351,068</u>	<u>\$ 18,951,005</u>	<u>\$ 13,790,003</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

2. CHARTER SCHOOLS

The District operates the Natomas Pacific Pathway Prep (NP3) Elementary, Middle, and High School, Westlake, and Leroy Greene Academy Charter Schools (collectively, the Charter Schools) pursuant to Education Code Section 47605. The financial activities of the Charter Schools are presented in a Special Revenue Fund (see Note 1).

3. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2019, are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 141,541,458	\$ 150,086	\$ 15,370
Deposits:			
Cash on hand and in banks	2,700		438,271
Cash in revolving fund	<u>40,000</u>	<u> </u>	<u> </u>
Total deposits	42,700		438,271
Cash awaiting deposit	583,551	4,956	
Investments (cash equivalent):			
Cash with Fiscal Agent	<u>5,091,290</u>	<u> </u>	<u> </u>
Total cash and equivalents	<u>\$ 147,258,999</u>	<u>\$ 155,042</u>	<u>\$ 453,641</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2019, the weighted average maturity of the investments contained in the treasury investment pool is approximately 320 days.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. As applicable, the actual rating for the cash and equivalents with fiscal agent as of June 30, 2019 is as follows:

	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating</u>
US Bank Money Market Fund	\$ 1,592,053	N/A	A-1+

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance and federal credit union association limits held in accounts collateralized by securities held by the pledging financial institutions were \$797,789.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2019:

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Governmental Funds</u>	<u>Cafeteria Enterprise Fund</u>	<u>Total Funds</u>
Federal	\$2,614,498	\$ 128,063						\$ 2,742,561
State	1,441,859	293,114				\$ 1,186,938		2,921,911
Other local	<u>1,445,793</u>	<u>382,358</u>	<u>\$ 501,292</u>	<u>\$ 426,902</u>	<u>\$ 90,297</u>	<u>1,630</u>	<u>\$ 1,867</u>	<u>2,850,139</u>
Totals	<u>\$5,502,150</u>	<u>\$ 803,535</u>	<u>\$ 501,292</u>	<u>\$ 426,902</u>	<u>\$ 90,297</u>	<u>\$ 1,188,568</u>	<u>\$ 1,867</u>	<u>\$ 8,514,611</u>

5. 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 1,379,938	\$ 446,960
Charter School	280,172	700,412
Building	32,776	
Capital Facilities		319,502
Other Governmental Funds:		
Adult Education	50,000	14,589
Child Development	544	78,223
Cafeteria	196,195	268,675
County Schools Facilities Fund		32,776
Proprietary fund:		
Cafeteria Enterprise	<u>33,524</u>	<u>112,012</u>
Totals	<u>\$ 1,973,149</u>	<u>\$ 1,973,149</u>

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

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

Individual interfund transfers for the fiscal year ended June 30, 2019 were as follows:

Transfer from the General Fund to the Cafeteria Fund to fund food services bad debt expenditures	\$ 83,061
Transfer from the General Fund to the Adult Education Fund to help support the program	50,000
Transfer from the Charter School Fund to the General Fund for MOU fees for special education services	605,526
Transfer from the Cafeteria Enterprise Fund to the Cafeteria Fund for delivery van costs	15,834
Transfer from the Capital Facilities Fund to the General Fund for administrative fees	319,502
Transfer from the Capital Facilities Fund to the Charter School Fund for lease payments	<u>179,955</u>
Total	<u>\$ 1,253,878</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

6. CAPITAL ASSETS AND DEPRECIATION

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	<u>Balance June 30, 2018</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated:					
Land	\$ 71,020,635				\$ 71,020,635
Work-in-process	<u>10,411,749</u>	\$ (8,387,749)	\$ 8,582,313	\$ (22,486)	<u>10,583,827</u>
Total capital assets, not being depreciated	<u>81,432,384</u>	<u>(8,387,749)</u>	<u>8,582,313</u>	<u>(22,486)</u>	<u>81,604,462</u>
Capital assets, being depreciated:					
Buildings	443,317,675	8,387,749	10,003,635		461,709,059
Improvement of sites	10,568,018		2,767,090		13,335,108
Equipment	<u>14,537,239</u>		<u>2,186,909</u>	<u>(4,228,353)</u>	<u>12,495,795</u>
Total capital assets, being depreciated	<u>468,422,932</u>	<u>8,387,749</u>	<u>14,957,634</u>	<u>(4,228,353)</u>	<u>487,539,962</u>
Less accumulated depreciation for:					
Buildings	(104,524,400)		(9,464,984)		(113,989,384)
Improvement of sites	(5,262,794)		(528,401)		(5,791,195)
Equipment	<u>(10,998,248)</u>		<u>(655,390)</u>	<u>4,139,610</u>	<u>(7,514,028)</u>
Total accumulated depreciation	<u>(120,785,442)</u>		<u>(10,648,775)</u>	<u>4,139,610</u>	<u>(127,294,607)</u>
Total capital assets, being depreciated, net	<u>347,637,490</u>		<u>4,308,859</u>	<u>(88,743)</u>	<u>360,245,355</u>
Governmental activities capital assets, net	<u>\$ 429,069,874</u>	<u>\$</u>	<u>\$ 12,891,172</u>	<u>\$ (111,229)</u>	<u>\$441,849,817</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 78,130
Instruction supervision and administration	1,273
Food services	57,040
Other pupil services	62,383
Ancillary services	4,821
Data processing services	48,878
Plant services	7,395,951
Other general administration	14,904
Depreciation (unallocated)	<u>2,985,395</u>
Total depreciation expense	<u>10,648,775</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

7. LONG-TERM LIABILITIES

General Obligation Bonds

Refunding Bonds, Series 1999

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 705,000	\$ 95,646	\$ 800,646
2021	750,000	53,253	803,253
2022	275,000	8,181	283,181
	<u>\$ 1,730,000</u>	<u>\$ 157,080</u>	<u>\$ 1,887,080</u>

Series 2004B Capital Appreciation Bonds

On August 17, 2004 the District issued General Obligation Bonds, Election 2002, Series 2004B, which included current interest bonds and capital appreciation bonds totaling \$30,584,687. In June 2013, the District issued the 2013 Refunding Bonds, which ultimately refunded the current interest bond portion of Series 2004B. It was subsequently determined that the capital appreciation bond portion of the series was not callable. Approximately \$6.29 million of the proceeds of the 2013 Refunding Bonds associated with the capital appreciation bonds of Series 2004B were used to defease a portion of the bonds in April of 2015. The remaining outstanding capital appreciation bonds accrete interest at rates 5.00% to 5.340% and are scheduled to mature through September 2022 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 197,513	\$ 218,900	\$ 416,413
2021	183,305	207,691	390,996
2022	175,461	204,264	379,725
2023	164,260	195,363	359,623
	<u>\$ 720,539</u>	<u>\$ 826,218</u>	<u>\$ 1,546,757</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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. In August 2016, a portion of the bonds were refunded with the issuance of the 2017 Refunding Bonds. The remaining outstanding bonds bear interest rates from 3.90% to 5.65% and are scheduled to mature through August 2030 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,562,863	1,467,575	3,030,438
2025-2029	8,171,528	7,337,875	15,509,403
2030	<u>1,241,317</u>		<u>1,241,317</u>
	<u>\$ 17,497,181</u>	<u>\$ 14,675,750</u>	<u>\$ 32,172,931</u>

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,435,000	286,300	1,721,300
2025-2028	<u>6,440,000</u>	<u>511,600</u>	<u>6,951,600</u>
	<u>\$ 12,750,000</u>	<u>\$ 2,374,200</u>	<u>\$ 15,124,200</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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 2004 and to pay costs of issuing the Refunding Bonds. 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 June 30,	Principal	Interest	Total
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	1,925,000	669,050	2,594,050
2025-2029	13,850,000	1,677,225	15,527,225
	<u>\$ 21,950,000</u>	<u>\$ 5,699,775</u>	<u>\$ 27,649,775</u>

Refunding bonds, 2014

In December 2014 the District issued \$52,530,000 of 2014 General Obligation Refunding Bonds to refund a portion of the District's outstanding General Obligation Bonds, Election of 2006, Series 2006 Bonds and to pay costs of issuing the Refunding Bonds. The bonds bear interest rates from 1.0% to 5.0% and mature in varying amounts through August 2030 as follows:

Year Ending June 30,	Principal	Interest	Total
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	3,545,000	1,521,806	5,066,806
2025-2029	27,515,000	4,335,530	31,850,530
2030-2031	10,155,000	240,492	10,395,492
	<u>\$ 49,485,000</u>	<u>\$ 13,559,552</u>	<u>\$ 63,044,552</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,200,000	2,572,825	3,772,825
2025-2029	9,860,000	11,696,550	21,556,550
2030-2034	16,280,000	9,060,796	25,340,796
2035-2039	24,120,000	4,970,019	29,090,019
2040-2041	12,185,000	494,297	12,679,297
	<u>\$ 64,650,000</u>	<u>\$ 39,276,137</u>	<u>\$ 103,926,137</u>

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		1,450,400	1,450,400
2025-2029	390,000	7,235,750	7,625,750
2030-2034	3,875,000	6,767,625	10,642,625
2035-2039	9,650,000	5,186,825	14,836,825
2040-2043	20,475,000	1,995,700	22,470,700
	<u>\$ 37,810,000</u>	<u>\$ 28,694,900</u>	<u>\$ 66,504,900</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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, 2019, no amounts of the refunded bonds were outstanding. The bonds bear interest rate of 5.0% and mature in varying amounts through August 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	115,000	1,303,375	1,418,375
2025-2029	665,000	6,422,625	7,087,625
2030-2033	25,345,000	3,456,375	28,801,375
	<u>\$ 27,920,000</u>	<u>\$ 16,484,250</u>	<u>\$ 44,404,250</u>

Certificates of Participation, 2019 Financing Project

In January 2019, the District issued \$56,450,000 of Certificates of Participation (2019 Financing Projects) to finance the costs of the construction, furnishing, and equipping of a new K-8 school (Paso Verde School) and other capital facilities projects, and fund interest with respect to the Certificates, and pay certain delivery costs of the Certificates. The Certificates bear a 4.0% interest rate and mature in varying amounts through August 2043 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020		\$ 2,258,000	\$ 2,258,000
2021		2,258,000	2,258,000
2022	\$ 1,560,000	2,226,800	3,786,800
2023	1,625,000	2,163,100	3,788,100
2024	1,650,000	2,097,600	3,747,600
2025-2029	9,335,000	9,419,500	18,754,500
2030-2034	11,390,000	7,353,400	18,743,400
2035-2039	13,910,000	4,831,400	18,741,400
2040-2044	16,980,000	1,752,000	18,732,000
	<u>\$ 56,450,000</u>	<u>\$ 34,359,800</u>	<u>\$ 90,809,800</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2020	\$ 92,707
2021	92,707
2022	<u>92,706</u>
Total	278,120
Less amount representing interest	<u>(27,483)</u>
Present value of net minimum lease payments	<u>\$ 250,637</u>

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2019 is shown below:

	<u>Balance June 30, 2018, as restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation					
Bonds	\$ 242,888,302		\$ (8,375,582)	\$ 234,512,720	\$ 8,486,005
Certificates of Participation		\$ 56,450,000		56,450,000	
Accreted interest	16,121,663	1,821,937	(1,504,418)	16,439,182	1,968,995
Premium on issuance of debt	12,703,863	1,213,177	(757,993)	13,159,047	809,547
Capital lease payable	334,183		(83,546)	250,637	83,546
Compensated absences	<u>207,980</u>	<u>21,501</u>		<u>229,481</u>	<u>229,481</u>
Total	<u>\$ 272,255,991</u>	<u>\$ 59,506,615</u>	<u>\$ (10,721,539)</u>	<u>\$ 321,041,067</u>	<u>\$ 11,577,574</u>

Accreted interest of \$16,439,182 at June 30, 2019 was originated from 2004B Capital Appreciation 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

8. FUND BALANCES

Fund balances, by category, at June 30, 2019 consisted of the following:

	General Fund	Charter Schools Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non- Major Funds	Total
Nonspendable:							
Revolving cash fund	\$ 35,000	\$ 5,000					\$ 40,000
Inventory						\$ 42,522	42,522
Subtotal nonspendable	<u>35,000</u>	<u>5,000</u>				<u>42,522</u>	<u>82,522</u>
Restricted:							
Legally restricted programs	3,646,676	21,527,472				955,640	26,129,788
Capital projects			\$ 61,625,356	\$ 22,962,728		19,333	84,607,417
Debt service					\$ 15,842,640		15,842,640
Subtotal restricted	<u>3,646,676</u>	<u>21,527,472</u>	<u>61,625,356</u>	<u>22,962,728</u>	<u>15,842,640</u>	<u>974,973</u>	<u>126,579,845</u>
Committed:							
Stabilization arrangement	7,207,778						7,207,778
Other commitments:							
PARS	2,092,053						2,092,053
Social studies textbook adoption	764,721						764,721
Science textbook adoption	1,500,000						1,500,000
SELPA stabilization	500,000						500,000
Subtotal committed	<u>12,064,552</u>						<u>12,064,552</u>
Assigned:							
Diversity recruitment	712,533						712,533
Instructional materials		744,703					744,703
Subtotal assigned	<u>712,533</u>	<u>744,703</u>					<u>1,457,236</u>
Unassigned:							
Designated for economic uncertainty	3,771,000						3,771,000
Unassigned	135,354					(13,534)	121,820
	<u>3,906,354</u>					<u>(13,534)</u>	<u>3,892,820</u>
Total fund balances	<u>\$20,365,115</u>	<u>\$22,277,175</u>	<u>\$ 61,625,356</u>	<u>\$ 22,962,728</u>	<u>\$ 15,842,640</u>	<u>\$ 1,003,961</u>	<u>\$ 144,076,975</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

9. RETIREMENT PENSION PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 18.40% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2019, was 16.28% of annual pay. District contributions to the CalSTRS Plan were \$10,377,930 for the year ended June 30, 2019.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 5.311% in 2018-19. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2018, was 9.328% of the District's 2014-15 creditable CalSTRS compensation.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund \$2,246,000,000 in contributions on-behalf of school employers for the 2018–19 fiscal year to be transferred to the CalSTRS Plan. Furthermore, SB 90 will appropriate contributions for the 2019–20 and 2020–21 fiscal years, such that it will result in school employers having to contribute 1.03 percentage points less than amounts set in existing prescribed schedules in the 2019–20 fiscal year and 0.70 percentage point less in the 2020–21 fiscal year, as specified. The District's proportionate share of the State's SB90 on-behalf contribution to the CalSTRS Plan for the period ended June 30, 2019 was \$3,748,164.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to the measurement date of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return ⁽¹⁾	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually)
	Maintain 85% purchasing power
	Level for DB
	Not applicable for DBS /CBB

⁽¹⁾ Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. 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 increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan'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.

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 board in February 2017 in conjunction with the most recent experience study. For each future

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits 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. PEPPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2019, was 18.062% of annual pay. District contributions to the CalPERS Plan were \$4,089,219 for the year ended June 30, 2019.

In addition to District contributions, SB 90, appropriated from the State's General Fund \$904,000,000 in contributions on-behalf of school employers for the 2018–19 fiscal year to be transferred to the CalPERS Plan. The District's proportionate share of the State's SB90 on-behalf contribution to the CalPERS plan for the period ended June 30, 2019 was \$1,377,877.

Actuarial Assumptions

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return	7.15%
Mortality ⁽²⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽³⁾	Up to 2.50%

⁽¹⁾ Varies by entry age and service

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.

⁽³⁾ 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

Changes in Assumptions

In measurement period ending June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The inflation rate for CalPERS was lowered from 2.75% to 2.50%.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the 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.

Asset Class^(a)	New Strategic Allocation	Real Return Years 1 – 10^(b)	Real Return Years 11+^(c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

^(a) In the Plan's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% was used for this period.

^(c) An expected inflation of 2.92% was used for this period.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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

As of June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's 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:	
CalSTRS Plan	\$ 97,421,420
CalPERS Plan	40,639,971
Total District net pension liability	<u>138,061,391</u>
State's proportionate share of CalSTRS net pension liability associated with the District	<u>55,830,460</u>
Total	<u>\$ 193,891,851</u>

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2018, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability for the measurement period June 30, 2018, was .1060% and .1524% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.010%, and of 0.0056%, from its proportion measured as of June 30, 2017 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2018, the District recognized pension expense of \$24,954,872 and revenue of \$6,571,555 for support provided by the State. At June 30, 2019, 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>
Differences between expected and actual experience	\$ 2,994,208	\$ (1,535,800)
Changes in assumptions	20,597,722	
Changes in proportion	4,260,583	(8,450,234)
Change in proportionate share of contributions	169,000	
Net differences between projected and actual investment earnings of pension plan investments	333,339	(3,791,834)
District contributions subsequent to measurement date	<u>14,467,149</u>	
Total	<u>\$ 42,822,001</u>	<u>\$ (13,777,868)</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

The \$14,467,149 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2020	\$ 8,136,269
2021	5,341,051
2022	(775,326)
2023	771,160
2024	2,205,830
Thereafter	(1,102,000)

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 of the Plans as of the measurement date, calculated using the discount rate, 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 or 1 percentage-point higher than the current rate:

	<u>Discount Rate – 1% (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>Discount Rate +1% (8.10%)</u>
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 142,710,980	\$ 97,421,420	\$ 59,871,980
	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
District's proportionate share of the CalPERS Plan's net pension liability	\$ 59,169,854	\$ 40,639,971	\$ 25,266,780

10. OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)

Plan Description

In addition to the pension benefits described in Note 9, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan (the 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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, 2019, 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.

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.

Employees Covered

The following is a table of plan participants as of the valuation date of July 1, 2017:

Inactive employees receiving benefits	80
Active employees	<u>679</u>
Total	<u>759</u>

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 \$821,641 for the year ended June 30, 2019. 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, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Actuarial Assumptions

The District's total OPEB liability of \$18,899,763 was based on an actuarial valuation as of July 1, 2017, a measurement date of June 30, 2019, and a discount rate of 3.5%. The results of the July 1, 2017 actuarial valuation were rolled forward to the June 30, 2019 measurement dated using standard actuarial methods. The total OPEB liability as determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Discount Rate	3.50%. Based on the Bond Buyer 20-bond General Obligation Index.
Inflation Rate	2.25%
Salary Increases	3.0%, average, including inflation
Healthcare Care Cost Trend Rates	Initial rate of 8.00% in fiscal 2018, decreasing to 5.00% for 2020-21 and after.
Medical CPI	3.5% (used to project PERS statutory minimum benefit)
Retirees Share of Cost	Retirees pay the balance of the premium after statutory minimum benefit and supplemental reimbursements contributed by the District.
Mortality Rate	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.

Changes in Assumptions

During the measurement period ending June 30, 2019, the District decreased the OPEB discount rate from 3.6% to 3.5%.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2018	<u>\$ 18,011,556</u>
Changes recognized for the measurement period:	
Service cost	850,059
Interest on TOL plus service cost, less ½ benefit payments	664,032
Difference between expected and actual experience	(10,909)
Changes of assumptions	206,666
Benefit payments, including implicit subsidy	<u>(821,641)</u>
Net changes	<u>888,207</u>
Balance at June 30, 2019	<u>\$ 18,899,763</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate – 1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate +1% (4.50%)
Total OPEB liability	\$ 21,178,045	\$ 18,899,763	\$ 16,981,715

Sensitivity of the District's 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 total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate – 1% (7.00% decreasing to 4.00%)	Health Care Trend Rate (8.00% decreasing to 5.00%)	Discount Rate +1% (9.00% decreasing to 6.00%)
Total OPEB liability	\$ 18,064,827	\$ 18,899,763	\$ 19,874,805

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,536,294.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 183,226	
Differences between expected and actual experience		\$ (9,672)
Total	<u>\$ 183,226</u>	<u>\$ (9,672)</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30	
2020	\$ 22,203
2021	22,203
2022	22,203
2023	22,203
2024	22,203
Thereafter	62,539

11. JOINT VENTURES (Joint Powers Agreements)

The District is a member of a joint venture under a joint powers agreement (JPA) with Schools Insurance Authority (SIA), for the operation of a common risk management and insurance programs for workers' compensation, and property and liability coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Condensed audited financial information of SIA is as follows:

	SIA June 30, 2019
Total Assets	\$ 174,147,032
Total Deferred Outflows of Resources	1,922,631
Total Liabilities	(81,108,882)
Total Deferred Inflows of Resources	<u>(591,817)</u>
Total Net Position	<u>\$ 94,368,964</u>
Total Revenues	\$ 74,123,970
Total Expenses	<u>(59,203,873)</u>
Increase in Net Position	<u>\$ 14,920,097</u>

Complete separate financial statements for the JPA may be obtained from the District.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

12. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Construction Commitments

At June 30, 2019, the District had commitments for capital construction projects totaling approximately \$8 million.

13. SUBSEQUENT EVENT

On July 17, 2019, the District issued General Obligation Bonds, Election of 2018, Series 2019 in the amount of \$60,000,000, maturing through August 2049 and bearing interest at rates ranging from 3.00% - 5.00%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds.

REQUIRED SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
State apportionments	\$ 78,435,254	\$ 79,643,679	\$ 79,040,078	\$ (603,601)
Local sources	<u>15,426,898</u>	<u>17,103,417</u>	<u>17,909,792</u>	<u>806,375</u>
Total local control funding formula	93,862,152	96,747,096	96,949,870	202,774
Federal revenues	5,257,965	5,910,336	4,885,052	(1,025,284)
Other state revenues	9,575,885	10,746,722	15,196,802	4,450,080
Other local revenues	<u>5,236,674</u>	<u>6,226,924</u>	<u>6,961,280</u>	<u>734,356</u>
Total revenues	<u>113,932,676</u>	<u>119,631,078</u>	<u>123,993,004</u>	<u>4,361,926</u>
EXPENDITURES				
Certificated personnel salaries	51,481,734	51,892,225	51,339,556	552,669
Classified personnel salaries	19,734,175	20,201,460	20,508,197	(306,737)
Employee benefits	26,445,792	25,779,435	29,845,007	(4,065,572)
Books and supplies	6,987,856	8,908,427	6,234,846	2,673,581
Services and other operating expenditures	12,105,905	15,057,711	15,308,492	(250,781)
Capital outlay	459,555	1,407,060	1,494,183	(87,123)
Other outgo	1,146,197	1,096,197	928,187	168,010
Allocation of indirect costs	<u>(348,028)</u>	<u>(357,960)</u>	<u>24,455</u>	<u>(382,415)</u>
Total expenditures	<u>118,013,186</u>	<u>123,984,555</u>	<u>125,682,923</u>	<u>(1,698,368)</u>
Excess (shortfall) of revenues over expenditures	<u>(4,080,510)</u>	<u>(4,353,477)</u>	<u>(1,689,919)</u>	<u>2,663,558</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out		(50,000)	(133,061)	(83,061)
Interfund transfers in	<u>672,448</u>	<u>748,156</u>	<u>925,028</u>	<u>176,872</u>
Total other financing uses	<u>672,448</u>	<u>698,156</u>	<u>791,967</u>	<u>93,811</u>
Net increase (decrease) in fund balance	(3,408,062)	(3,655,321)	(897,952)	2,757,369
Fund balance – beginning	<u>21,263,067</u>	<u>21,263,067</u>	<u>21,263,067</u>	
Fund balance – ending	<u>\$ 17,855,005</u>	<u>\$ 17,607,746</u>	<u>\$ 20,365,115</u>	<u>\$ 2,757,369</u>

NATOMAS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE CHARTER SCHOOL FUND YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
State apportionments	\$ 22,072,150	\$ 22,219,526	\$ 22,124,348	\$ (95,178)
Local sources	<u>4,722,830</u>	<u>5,266,170</u>	<u>5,540,405</u>	<u>274,235</u>
Total local control funding formula	26,794,980	27,485,696	27,664,753	179,057
Federal revenues	114,875	115,000	128,063	13,063
Other state revenues	2,479,623	2,600,962	3,751,677	1,150,715
Other local revenues	<u>1,051,426</u>	<u>1,083,842</u>	<u>1,548,380</u>	<u>464,538</u>
Total revenues	<u>30,440,904</u>	<u>31,285,500</u>	<u>33,092,873</u>	<u>1,807,373</u>
EXPENDITURES				
Certificated personnel salaries	13,609,396	13,860,701	13,721,098	139,603
Classified personnel salaries	2,367,966	2,540,786	2,562,402	(21,616)
Employee benefits	5,836,304	5,903,047	6,829,428	(926,381)
Books and supplies	1,966,350	2,111,655	1,437,291	674,364
Services and other operating expenditures	4,600,891	4,620,009	4,382,857	237,152
Capital outlay	14,617	23,273	28,059	(4,786)
Other outgo	92,707	92,707	92,707	
Transfer Out			<u>7,594</u>	<u>(7,594)</u>
Total expenditures	<u>28,488,231</u>	<u>29,152,178</u>	<u>29,061,436</u>	<u>90,742</u>
Excess (deficiency) of revenues over expenditures	1,952,673	2,133,322	4,031,437	1,898,115
OTHER FINANCING SOURCES				
Interfund transfers out	(580,988)	(613,119)	(605,526)	7,593
Interfund transfers in	<u>179,955</u>	<u>187,548</u>	<u>179,955</u>	<u>(7,593)</u>
Total other financing sources	<u>(401,033)</u>	<u>(425,571)</u>	<u>(425,571)</u>	
Net (decrease) increase in fund balance	1,551,640	1,707,751	3,605,866	1,898,115
Fund balance – beginning	<u>18,671,309</u>	<u>18,671,309</u>	<u>18,671,309</u>	
Fund balance – ending	<u>\$ 20,222,949</u>	<u>\$ 20,379,060</u>	<u>\$ 22,277,175</u>	<u>\$ 1,898,115</u>

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30, LAST 10 YEARS*

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 850,059	\$ 825,300
Interest	664,032	639,702
Differences between expected and actual experience	(10,909)	
Changes of assumptions	206,666	
Benefit payments	<u>(821,641)</u>	<u>(795,274)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	888,207	669,728
TOTAL OPEB LIABILITY, Beginning	<u>18,011,556</u>	<u>17,341,828</u>
TOTAL OPEB LIABILITY, Ending	<u>\$ 18,899,763</u>	<u>\$ 18,011,556</u>
Covered-employee payroll	\$ 61,558,383	\$ 59,765,420
District's total OPEB liability as a percentage of covered-employee payroll	31%	30%

Notes to Schedule:

There were no changes to benefit terms during the measurement periods ended June 30, 2018 and 2019. There were no changes to the actuarial assumptions during the measurement period ended June 30, 2018. For the measurement period ended June 30, 2019, the discount rate decreased from 3.6% to 3.5%.

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are presented.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

	CalSTRS Plan				
	Measurement Date				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.106%	0.116%	0.117%	0.119%	0.107%
District's proportionate share of the net pension liability	\$ 97,421,420	\$ 107,134,000	\$ 94,646,000	\$ 80,055,000	\$ 62,433,000
State's proportionate share of the net pension liability associated with the District	<u>55,830,460</u>	<u>63,380,000</u>	<u>53,885,000</u>	<u>42,340,000</u>	<u>37,700,000</u>
Total	<u>\$ 153,251,880</u>	<u>\$ 170,514,000</u>	<u>\$ 148,531,000</u>	<u>\$ 122,395,000</u>	<u>\$ 100,133,000</u>
District's covered-employee payroll	\$ 57,628,000	\$ 61,398,000	\$ 58,319,000	\$ 55,192,000	\$ 53,170,669
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169%	174%	162%	145%	117%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

	CalPERS Plan				
	Measurement Date				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1524%	0.1580%	0.1550%	0.1520%	0.1380%
District's proportionate share of the net pension liability	\$ 40,639,971	\$ 37,697,000	\$ 30,547,000	\$ 22,346,000	\$ 15,682,000
District's covered-employee payroll	\$ 20,314,000	\$ 20,134,000	\$ 18,556,000	\$ 16,784,000	\$ 14,501,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200%	187%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
AS OF JUNE 30,
LAST 10 YEARS*

	CalSTRS Plan				
	Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 10,377,930	\$ 8,315,675	\$ 8,293,425	\$ 6,257,620	\$ 4,901,009
Contributions in relation to the contractually required contributions	<u>(10,377,930)</u>	<u>(8,315,675)</u>	<u>(8,293,425)</u>	<u>(6,257,620)</u>	<u>(4,901,009)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 64,063,176	\$ 57,628,000	\$ 61,398,000	\$ 58,319,000	\$ 55,192,000
Contributions as a percentage of covered-employee payroll	16.20%	14.43%	13.51%	10.73%	8.88%

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
AS OF JUNE 30,
LAST 10 YEARS*

	CalPERS Plan				
	Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 4,089,219	\$ 3,155,035	\$ 2,792,719	\$ 2,198,301	\$ 1,975,605
Contributions in relation to the contractually required contributions	<u>(4,089,219)</u>	<u>(3,155,035)</u>	<u>(2,792,719)</u>	<u>(2,198,301)</u>	<u>(1,975,605)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 22,578,046	\$ 20,314,000	\$ 20,134,000	\$ 18,556,000	\$ 16,784,000
Contributions as a percentage of covered-employee payroll	18.11%	15.53%	13.87%	11.85%	11.77%

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SUPPLEMENTARY INFORMATION SECTION

NATOMAS UNIFIED SCHOOL DISTRICT

ORGANIZATION JUNE 30, 2019

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, five charter schools (one K-5, one K-8, one 6-8, one 6-9 and one 9-12), two high schools, and one continuation high school. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Susan Heredia	President	2020
Lisa Kaplan	Vice President	2022
Jag Bains	Clerk	2022
Scott Dosick	Member	2020
Micah Grant	Member	2020

ADMINISTRATION

Chris Evans
Superintendent

William C. Young
Deputy Superintendent

Javetta Cleveland
Deputy Superintendent

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2019

<u>District</u>	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Transitional Kindergarten through 3	3,338	3,343
Grades 4 through 6	2,126	2,129
Grades 7 and 8	1,113	1,113
Special Education	8	9
Extended Year ADA	10	11
Elementary Totals	6,595	6,605
High School:		
Grades 9 through 12	3,153	3,137
Special Education	10	8
Extended Year ADA	1	3
	3,164	3,148
District Total	9,759	9,753

Natomas Pacific Pathways Prep Elementary School

Classroom-Based:

Elementary:		
Transitional Kindergarten through 3	186	186
Grades 4 through 6	105	105
Total Natomas Pacific Pathways Prep Elementary School	291	291

Natomas Pacific Pathways Prep Middle School

Classroom-Based:

Elementary:		
Grades 4 through 6	159	159
Grades 7 through 8	338	338
Total Natomas Pacific Pathways Prep Middle School	497	497

Natomas Pacific Pathways Prep High School

Classroom-Based:

Secondary:		
Grades 9 through 12	604	603

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2019

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Westlake Charter School</u>		
<u>Classroom-Based:</u>		
Elementary:		
Transitional Kindergarten through 3	425	424
Grades 4 through 6	323	322
Grades 7 and 8	<u>168</u>	<u>168</u>
Total Westlake Charter School	<u>916</u>	<u>914</u>
<u>Leroy Greene Academy Charter School</u>		
<u>Classroom-Based:</u>		
Elementary:		
Grades 4 through 6	137	137
Grades 7 through 8	284	283
High School:		
Grades 9 through 12	<u>321</u>	<u>320</u>
Total Leroy Greene Academy Charter School	<u>742</u>	<u>740</u>

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2019

<u>Charter School</u>	<u>Charter School Number</u>	<u>Included/Not Included</u>
NP3 (Natomas Pacific Pathway Prep) Elementary School	1803	Included in Charter School Fund
NP3 (Natomas Pacific Pathway Prep) Middle School	1106	Included in Charter School Fund
NP3 (Natomas Pacific Pathway Prep) High School	0823	Included in Charter School Fund
Westlake Charter School	0711	Included in Charter School Fund
Leroy Greene Academy Charter School	1405	Included in Charter School Fund
Natomas Charter School	0019	Not Included

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2019

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Instructional Days Offered</u>	<u>Status</u>
DISTRICT				
Kindergarten	36,000	40,777	179	In Compliance
Grade 1	50,400	54,140	179	In Compliance
Grade 2	50,400	54,140	179	In Compliance
Grade 3	50,400	54,140	179	In Compliance
Grade 4	54,000	54,140	179	In Compliance
Grade 5	54,000	54,140	179	In Compliance
Grade 6	54,000	54,140	179	In Compliance
Grade 7	54,000	59,545	179	In Compliance
Grade 8	54,000	59,545	179	In Compliance
Grade 9	64,800	65,716	179	In Compliance
Grade 10	64,800	65,716	179	In Compliance
Grade 11	64,800	65,716	179	In Compliance
Grade 12	64,800	65,716	179	In Compliance
NATOMAS PACIFIC PATHWAYS PREP ELEMENTARY SCHOOL				
Kindergarten	36,000	53,730	177	In Compliance
Grade 1	50,400	53,730	177	In Compliance
Grade 2	50,400	53,730	177	In Compliance
Grade 3	50,400	53,730	177	In Compliance
Grade 4	54,000	55,605	177	In Compliance
Grade 5	54,000	55,605	177	In Compliance
NATOMAS PACIFIC PATHWAYS PREP MIDDLE SCHOOL				
Grade 6	50,400	62,564	176	In Compliance
Grade 7	50,400	62,564	176	In Compliance
Grade 8	50,400	62,564	176	In Compliance
NATOMAS PACIFIC PATHWAYS PREP HIGH SCHOOL				
Grade 9	64,800	65,515	176	In Compliance
Grade 10	64,800	65,515	176	In Compliance
Grade 11	64,800	65,515	176	In Compliance
Grade 12	64,800	65,515	176	In Compliance

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2019

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Instructional Days Offered</u>	<u>Status</u>
WESTLAKE CHARTER SCHOOL				
Kindergarten	36,000	50,370	177	In Compliance
Grade 1	50,400	55,950	177	In Compliance
Grade 2	50,400	55,950	177	In Compliance
Grade 3	50,400	55,950	177	In Compliance
Grade 4	54,000	55,950	177	In Compliance
Grade 5	54,000	55,950	177	In Compliance
Grade 6	54,000	63,175	177	In Compliance
Grade 7	54,000	63,175	177	In Compliance
Grade 8	54,000	63,175	177	In Compliance
LEROY GREEN ACADEMY				
Grade 6	50,400	67,775	179	In Compliance
Grade 7	50,400	67,775	179	In Compliance
Grade 8	50,400	67,775	179	In Compliance
Grade 9	64,800	67,775	179	In Compliance

The District participated in Longer Day Incentives Days and is funded at a level for a District that has not met or exceeded its LCFF target funding.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GENERAL FUND				
	June Adopted Budget <u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues and other financial sources	\$ 120,357,693	\$ 124,918,032	\$ 107,504,674	\$ 107,061,921
Expenditures	121,402,012	125,682,923	111,031,950	100,614,717
Other uses and transfers out	764,238	133,061		
Total outgo	122,166,250	125,815,984	111,031,950	100,614,717
Change in fund balance	(1,808,557)	(897,952)	(3,527,276)	6,447,204
Ending fund balance	\$ 18,556,558	\$ 20,365,115	\$ 21,263,067	\$ 24,760,343
Available reserves ⁽¹⁾	\$ 3,643,000	\$ 3,906,354	\$ 3,322,000	\$ 3,040,000
Designated for economic uncertainties	\$ 3,643,000	\$ 3,771,000	\$ 3,322,000	\$ 3,040,000
Unassigned fund balance	\$	\$ 135,354	\$	\$
Available reserves as a percentage of total outgo	3.0%	3.1%	3.0%	3.0%
Total long-term debt	\$ 466,424,647	\$ 478,002,221	\$ 437,206,479	\$ 438,465,952
Average daily attendance at P-2	9,883	9,759	9,363	9,323

⁽¹⁾ Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

The General Fund balance has decreased by \$4,395,228 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$1,808,557. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates generating an operating deficit during the 2019-20 fiscal year. Total long-term debt has increased by \$39,455,293 over the past two years.

Average daily attendance has increased by 436 over the past two years. ADA is anticipated to increase by 124 during fiscal year 2019-20.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13523	\$ 3,825,000
Child Nutrition: School Programs - Commodities	10.555	N/A	42,522
Child Nutrition: Summer Food Service Program Operations	10.559	13304	282,984
Subtotal Child Nutrition Cluster			<u>4,150,506</u>
Total U.S. Department of Agriculture			<u>4,150,506</u>
U.S. Department of Education:			
Passed-Through CDE:			
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	79,957
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	394,979
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	39,613
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	75,906
Title I Basic Grants Low Income & Neg.	84.010	14329	<u>1,773,213</u>
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,372,881
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	1,385
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	54,467
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	15321	<u>123,850</u>
Subtotal Special Education Cluster (IDEA)			<u>2,552,583</u>
Total U.S. Department of Education			<u>4,916,251</u>
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Medicaid Cluster:			
School Based Medi-Cal Administrative Activities	93.778	10060	24,478
Medi-Cal Option Billing	93.778	10013	<u>72,386</u>
Subtotal Medicaid Cluster			<u>96,864</u>
Total U.S. Department of Health and Human Services			<u>96,864</u>
Total Expenditures of Federal Awards			<u>\$ 9,163,621</u>
See the accompanying notes to supplementary information.			

NATOMAS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

	<u>Building Fund</u>
Unaudited Actual Financial Statements ending Fund Balances June 30, 2019	\$ 58,225,162
Adjustment to record cash with fiscal agent related to 2019 COPs issuance	<u>3,400,194</u>
Audited Ending Fund Balances, June 30, 2019	<u><u>\$ 61,625,356</u></u>

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

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES YEAR ENDED JUNE 30, 2019

<u>Description</u>	<u>First 5 Grant</u>
Revenues:	
First 5 Sacramento Funds	<u>\$ 257,180</u>
Expenditures:	
Certificated personnel salaries	8,640
Classified personnel salaries	125,920
Employee benefits	50,824
Books and supplies	43,918
Services and other operating expenditures	<u>27,878</u>
Total Expenditures	<u>257,180</u>
Excess of Expenditures over Revenues	<u>\$</u>

NATOMAS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

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 CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

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

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2019, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2019.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

G. SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES

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

OTHER INDEPENDENT AUDITOR'S REPORTS

**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***

Independent Auditor's Report

**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, business-type activities, each major fund, and the aggregate remaining fund information of the Natomas Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings and questioned costs as items 2019-2 and 2019-3.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. The responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



GILBERT CPAs
Sacramento, California

December 4, 2019

REPORT ON COMPLIANCE FOR THE FIRST 5 SACRAMENTO COUNTY PROGRAM

Independent Auditor's Report

**Board of Trustees
Natomas Unified School District
Sacramento, California**

Report on Compliance for First 5 Sacramento County Program

We have audited Natomas Unified School District's (the District) compliance 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 Natomas Unified School District's First 5 Sacramento County Program for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of 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 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with 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 Compliance with Requirements for 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, 2019.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

December 4, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

**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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit 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 the 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 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the 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 the 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 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 the 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



GILBERT CPAs
Sacramento, California

December 4, 2019

**REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH 2018-19 GUIDE FOR ANNUAL AUDITS OF
K-12 LOCAL EDUCATION AGENCIES AND
STATE COMPLIANCE REPORTING**

Independent Auditor's Report

**Board of Trustees
Natomas Unified School District
Sacramento, California**

Report on State Compliance

We have audited the Natomas Unified School District's (the District) compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations and terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ⁽¹⁾
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District Choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
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	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

⁽¹⁾ We did not perform testing for Independent Study because the ADA was under the level that requires testing.

Basis for Modified Opinion on State Compliance

As described in the accompanying Schedule of Audit Findings and Questioned Costs as items 2019-002 and 2019-003 the District did not comply with certain requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts and After/Before School Education and Safety Program (ASES). Compliance with such requirements is necessary, in our opinion, for the District to comply with the state laws and regulations applicable to that program.

Modified Opinion on State Compliance

In our opinion, except for the noncompliance described in the “Basis for Modified Opinion” paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2019.

Other Matters

The District’s responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. The responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

**GILBERT CPAs
Sacramento, California**

December 4, 2019

FINDINGS AND RECOMMENDATIONS SECTION

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> 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

CFDA Numbers

84.027, 84.027A, 84.173

Name of Federal Program or Cluster

Special Education 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

Internal control over State programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> None Reported

Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies? X Yes No

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

Modified

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENT FINDINGS

2019-001: INTERNAL CONTROL – LONG-TERM DEBT ACCOUNTING AND RECONCILIATION (3000)

Criteria:

An essential aspect of any organization's internal control over its financial reporting process is the ability to produce accurate financial data in accordance with generally accepted accounting principles (GAAP). Accurate financial reporting enables management and the Board of Trustees to have a sound financial basis for decision making. Conversely, the absence of accurate financial data may undermine the plans and initiatives of management and the Board of Trustees.

Condition:

Various errors in the District's accounting over long-term debt transactions in the government-wide and building fund financial statements affecting balances at June 30, 2018 and June 30, 2019, respectively, were detected during the audit, resulting in significant adjustments to GO Bonds payable, accreted interest, debt service expenditure, cash in county treasury, and cash with fiscal agent.

Cause:

The District relied upon the predecessor auditor to prepare conversion entries related to long-term debt for the government-wide financial statements. Additionally, a transaction to record the issuance of a COPs was not recorded in accordance with GAAP in the fund-based statements. District management is ultimately responsible for preparing financial statements in accordance with GAAP. The District did not identify the errors related to long-term debt transactions in the June 30, 2018 audited financial statements and the building funds unaudited actuals.

Effect:

Significant adjustments were required to properly reflect cash, GO Bonds payable, and accreted interest. These adjustments impacted the change in net position for the year ended June 30, 2019, as well as the beginning net position of the government-wide statements as of July 1, 2018.

Recommendation:

We recommend that the District management develop a process to ensure debt related transactions are recorded in accordance with GAAP and that government-wide financial statements are reviewed to ensure outstanding debt and related balances are accurate and complete.

District's Corrective Action Plan:

The District's corrective action plan is partially implemented with the audit adjustments in the final audit report. In the future, the District will review debt related transactions and conversion entries in the government wide financial statements in the audit report to ensure outstanding debt and related balances are accurate and complete.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2019

STATE COMPLIANCE

2019-002: STATE COMPLIANCE (UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS) – CDDC #40000

Criteria:

Education Code Section 2574(b)(3)(A) – The District shall annually report the enrollment of unduplicated pupils, including pupils classified as English Learners, pupils eligible for free and reduced meals, and foster youth in schools operated by the District using CalPADS. All support for these designations must be kept on file.

Condition:

The District's "1.18 – FRPM / English Learner / Foster Youth – Student List" incorrectly reported students designated as English Learner (EL) at the following sites and were extrapolated as follows:

<u>School Site</u>	<u>Students Incorrectly Reports</u>	<u>Extrapolated Error</u>
<u>District:</u>		
Jefferson School	1	5

Charter:

Natomas Pacific Pathway Prep Middle School (Charter 1106)	1	5
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The District's "1.18 – FRPM / English Learner / Foster Youth – Student List" incorrectly reported students designated as free or reduced price meal eligible (FRPM) at the following sites and were extrapolated as follows:

<u>School Site</u>	<u>Students Incorrectly Reports</u>	<u>Extrapolated Error</u>
<u>District:</u>		
Jefferson School	1	24
American Lakes Elementary School	2	14
Natomas High School	4	98
Two Rivers Elementary	3	22

Charter:

Leroy Greene Academy (Charter 1405)	9	67
Natomas Pacific Pathway Prep High School (Charter 0823)	2	10

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2019

Cause:

For the English Learner errors, testing needed to support EL designations were not administered. For FRPM, lapses meal applications that were classified as eligible were not supported by a current free and reduced meal application by the census date.

Effect:

Errors noted in the finding resulted in the following estimated questioned costs as calculated using the School District Unduplicated Pupil Percentage:

<u>District</u>	<u>Enrollment</u>	<u>Unduplicated Pupil Count</u>	<u>Adjustment based on Eligibility of EL and FRPM Students</u>	<u>Adjusted Unduplicated Pupil Count</u>	<u>Adjusted Unduplicated Pupil Count Percentage</u>	<u>Estimated Dollar Amount of Over-claimed Apportionment</u>
Natomas Unified School District	30,156	19,317	(164)	19,153	63.51%	\$315,721

<u>Charter</u>	<u>Enrollment</u>	<u>Unduplicated Pupil Count</u>	<u>Adjustment based on Eligibility of EL and FRPM Students</u>	<u>Adjusted Unduplicated Pupil Count</u>	<u>Adjusted Unduplicated Pupil Count Percentage</u>	<u>Estimated Dollar Amount of Over-claimed Apportionment</u>
Natomas Pacific Pathways Prep Middle (#1106)	1,545	706	(5)	701	45.37%	\$2,535
Natomas Pacific Pathways Prep High School (#0823)	1,829	824	(10)	814	44.51%	\$6,044
Leroy Greene Academy (#1405)	2,275	1,301	(67)	1,234	54.24%	\$104,922

Recommendation:

We recommend that the District implement procedures to ensure required tests are administered and applications are maintained to accurately report and support unduplicated count designations. We also recommend that any applicable reports be revised or the District may be required to return funding.

District's Corrective Action Plan:

The District has already implemented a corrective action plan in reviewing 2019-20 data submitted to CalPADS. Nutrition Services will perform a detailed review of the 2019-20 CalPADS data prior to certification. Fiscal Services will also perform an internal audit of the data.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

2019-003: AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (ASES) CDDC # 40000

Criteria:

California Education Code Section 8482-8484.6 8483 (a)(1) and (2) Elementary school and middle school or junior high school pupils must participate in the full day of the program, except as allowed by the early release policy. Reported number of pupils served should be supported by written records.

Condition:

Supporting documents for daily attendance records selected as part of our sample did not support the number of students served as reported to the CDE in 41 of 50 sampled days.

Effect:

The number of students who were claimed for attendance in 41 of 50 sampled days were not accurately supported.

Cause:

Manual errors and lack of review of underlying data for reported program attendance resulted in errors in data submitted for program attendance.

Questioned Cost:

Questioned costs could not be calculated since the funding for this program is based on a pre-approved 3 year grant cycle and is not based on a per-ADA rate.

Recommendation:

We recommend that the District adequately train ASES program providers to ensure that reported attendance data is accurate and sufficiently supported.

District's Corrective Action Plan:

The District's corrective action plan is currently being implemented. District staff met with program providers in April 2019 to discuss the issue and ongoing communication continues with providers. Starting in 2019-20, District staff uses a Google tracker to monitor daily attendance with the providers, snack sheets now include student ID to ensure enrollment is in alignment with snacks provided, audits are completed monthly and any discrepancies discussed with the provider. All providers have been given a written ASES Best Practices document.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

NATOMAS UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2019

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Recommendation	Current Status	District Explanation If Not Implemented
<p>2018-001 SIGNIFICANT DEFICIENCY • INTERNAL CONTROL • CAPITAL ASSET ACCOUNTING (30000)</p> <p>Condition: Since fiscal year 2013-14, work in process balances were not appropriately cleared when the assets were placed into service.</p> <p>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.</p>	<p>The District continues to work toward maintaining and updating their capital assets. No significant issuance were identified in the current year.</p>	<p>N/A</p>