

**NATOMAS UNIFIED
SCHOOL DISTRICT**

**COUNTY OF SACRAMENTO
SACRAMENTO, CALIFORNIA**

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

YEAR ENDED JUNE 30, 2020

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, 2020, 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 *2019-20 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, 2020, 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.

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 *2019-20 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 7, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 7, 2020

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2020

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, 2020. 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 2019, the District had 10,540 students that attended traditional (non-charter) schools.
- The average daily attendance (ADA), which much of the District's revenue is based, was 9,978 (Figure excludes county pass through programs).
- The ratio of attendance to CALPADS enrollment was approximately 94.67%.
- The District's General Fund ending cash balance for June 30, 2020 was \$22.6 million.
- The District's LCFF base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3rd grades at \$7,702/ADA; Grades 4th – 6th at \$7,818/ADA; Grades 7th - 8th grade at \$8,050/ADA; and Grades 9th – 12th at \$9,329/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 63.45%.



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, 2020 | June 30, 2019 | Change |
| Assets | | | |
| Current and other assets | \$ 198,643,924 | \$ 155,892,753 | \$ 42,751,171 |
| Capital assets, net of depreciation | 482,766,256 | 441,849,817 | 40,916,439 |
| Total Assets | 681,410,180 | 597,742,570 | 83,667,610 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pensions | 49,333,591 | 42,822,001 | 6,511,590 |
| Deferred outflows - related to OPEB | 2,877,471 | 183,226 | 2,694,245 |
| Deferred outflows - refunding of debt | 2,152,795 | 2,357,289 | (204,494) |
| Total Deferred Outflows | 54,363,857 | 45,362,516 | 9,001,341 |
| Liabilities | | | |
| Current liabilities | 49,812,446 | 27,831,415 | 21,981,031 |
| Long-term obligations | 534,210,450 | 466,424,647 | 67,785,803 |
| Total Liabilities | 584,022,896 | 494,256,062 | 89,766,834 |
| Deferred Inflows of Resources | | | |
| Deferred outflows - related to OPEB | 875,082 | 9,672 | 865,410 |
| Deferred inflows - pensions | 14,389,206 | 13,777,868 | 611,338 |
| | 15,264,288 | 13,787,540 | 1,476,748 |
| Net Position | | | |
| Invested in capital assets, net of related debt | 19,413,413 | 60,720,256 | (41,306,843) |
| Restricted | 150,488,365 | 126,579,847 | 23,908,518 |
| Unrestricted | (33,414,925) | (52,238,619) | 18,823,694 |
| Total Net Position | \$ 136,486,853 | \$ 135,061,484 | \$ 1,425,369 |

Total Government Wide Net Position increased by approximately \$1.5 million during the 2019/20 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 9% to approximately \$218.5 million. General revenues accounted for most of the District's revenue, contributing approximately 75% of every dollar raised. The remainder came from fees charged for services and operating grants and contributions.

The total cost of all programs and services increased approximately \$24.4 million to \$217 million, of which 69% of the expenses are primarily related to educating and caring for students.

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 | | | |
|--|-----------------------|-----------------------|----------------------|
| Revenues | June 30, 2020 | June 30, 2019 | Change |
| Program revenues: | | | |
| Charges for services | \$ 7,020,006 | \$ 3,447,029 | \$ 3,572,977 |
| Operating grants and contributions | 38,048,661 | 33,833,995 | 4,214,666 |
| Capital grants and contributions | 8,485,250 | - | 8,485,250 |
| General revenues: | | | |
| Taxes levied for general purposes | 34,178,816 | 26,695,502 | 7,483,314 |
| Taxes levied for debt service | 24,430,806 | 21,071,940 | 3,358,866 |
| Taxes levied for other specific purposes | 3,082 | 6,703 | (3,621) |
| Unrestricted federal and state aid | 103,579,749 | 99,819,476 | 3,760,273 |
| Interest and investment earnings | 1,084,426 | 2,373,428 | (1,289,002) |
| Interagency revenues | 467,657 | 750,999 | (283,342) |
| Other general revenue | 1,146,750 | 2,628,543 | (1,481,793) |
| Developer Fees | - | 10,650,063 | (10,650,063) |
| Internal transfers | 5,108 | - | 5,108 |
| Total Revenues | \$ 218,450,311 | \$ 201,277,678 | \$ 17,172,633 |
| Expenses | | | |
| Instruction-related | \$ 132,047,531 | \$ 121,104,440 | \$ 10,943,091 |
| Student support services | 18,145,323 | 17,261,985 | 883,338 |
| Administration | 18,588,099 | 13,931,803 | 4,656,296 |
| Maintenance and operations | 26,733,055 | 22,532,320 | 4,200,735 |
| Ancillary services | 1,289,065 | - | 1,289,065 |
| Community services | 26,355 | - | 26,355 |
| Interest on long-term liabilities | 14,893,423 | 11,473,440 | 3,419,983 |
| Bond issuance costs | 180,000 | - | 180,000 |
| Other Outgo | 1,127,914 | - | 1,127,914 |
| Depreciation (unallocated) | 3,994,177 | 6,263,274 | (2,269,097) |
| Total Expenses | \$ 217,024,942 | \$ 192,567,262 | \$ 24,457,680 |
| Net Position | | | |
| Change in net position | 1,425,369 | 8,710,416 | (7,285,047) |
| Net Position, Beginning of the Year | 135,061,484 | 126,351,068 | 8,710,416 |
| Net Position, End of the Year | \$ 136,486,853 | \$ 135,061,484 | \$ 1,425,369 |



Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities was \$217 million and \$193 million for June 30, 2020 and 2019, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$58.6 million and \$47.8 million for June 30, 2020 and 2019, 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 | |
|----------------------------|------------------------|-----------------------|---------------------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Instruction | \$ 108,008,994 | \$ 96,460,795 | \$ 78,377,964 | \$ 74,951,019 |
| Instruction related | 24,038,537 | 24,643,645 | 20,154,396 | 20,885,545 |
| Pupil services | 18,145,323 | 17,261,985 | 10,315,284 | 10,151,372 |
| Administration | 18,588,099 | 13,931,803 | 16,615,217 | 12,115,319 |
| Maintenance and operations | 26,733,055 | 22,532,320 | 24,146,929 | 21,945,830 |
| Interest on long-term debt | 14,893,423 | 11,473,440 | 14,893,423 | 11,473,440 |
| Other | 6,617,511 | 6,263,274 | (1,032,188) | 3,763,713 |
| Totals | \$ 217,024,942 | \$ 192,567,262 | \$ 163,471,025 | \$ 155,286,238 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, its funds reported a combined fund balance of \$169.6 million, which is a net increase of \$25.5 million from the prior year.

Table 4 – Governmental Funds

| | Balances and Activity | | |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| | June 30, 2019 | Net Change | June 30, 2020 |
| General | \$ 20,365,115 | \$ 2,105,502 | \$ 22,470,617 |
| Charter Schools Fund | 22,277,175 | 3,655,205 | 25,932,380 |
| Building Fund | 61,625,356 | 17,707,178 | 79,332,534 |
| Capital Facilities Fund | 22,962,728 | (2,351,625) | 20,611,103 |
| Bond Interest and Redemption Fund | 15,842,640 | 4,185,304 | 20,027,944 |
| All Non-Major Funds | 1,003,961 | 215,979 | 1,219,940 |
| Total Governmental Funds | \$ 144,076,975 | \$ 25,517,543 | \$ 169,594,518 |



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 Revised 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 \$40.9 million primarily because of ongoing construction projects.

Table 5 – Capital Assets at Year-End

| | Governmental Activities | | |
|----------------------------------|-------------------------|-----------------------|----------------------|
| | 2020 | 2019 | Net Change |
| Land | \$ 73,257,885 | \$ 71,020,635 | \$ 2,237,250 |
| Improvement of Sites | 10,980,762 | 7,543,913 | 3,436,849 |
| Buildings | 346,309,833 | 347,719,675 | (1,409,842) |
| Equipment | 5,133,447 | 4,981,767 | 151,680 |
| Construction in Progress | 47,084,329 | 10,583,827 | 36,500,502 |
| Total Capital Assets, net | \$ 482,766,256 | \$ 441,849,817 | \$ 40,916,439 |

Outstanding Debt at Year-End

As illustrated below, total long-term liabilities increased by approximately \$52.7 million, net. This increase is primarily related to the issuance of General Obligation Bonds.

Table 6 – Outstanding Debt at Year-End

| | Governmental Activities | | |
|---|-------------------------|-----------------------|----------------------|
| | 2020 | 2019 | Net Change |
| General Obligation Bonds | \$ 286,026,715 | \$ 234,512,720 | \$ 51,513,995 |
| Accreted Interest | 16,177,517 | 16,439,182 | (261,665) |
| Unamortized Premiums on Issuances of GO Bonds | 13,234,268 | 13,159,047 | 75,221 |
| Certificates of Participation | 56,450,000 | 56,450,000 | - |
| Early Retirement Incentive | 1,465,228 | - | 1,465,228 |
| Compensated Absences | 174,683 | 229,481 | (54,798) |
| Capital Leases | 167,091 | 250,637 | (83,546) |
| Total Outstanding Debt | \$ 373,695,502 | \$ 321,041,067 | \$ 52,654,435 |



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, 2020

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and equivalents | \$ 179,933,363 | \$ 67,794 | \$ 180,001,157 |
| Accounts receivable | 18,698,476 | 3,865 | 18,702,341 |
| Inventories | 18,040 | | 18,040 |
| Internal balances | (5,955) | 5,955 | |
| Depreciable capital assets (net) | 362,424,042 | | 362,424,042 |
| Nondepreciable capital assets | 120,342,214 | | 120,342,214 |
| Total assets | <u>681,410,180</u> | <u>77,614</u> | <u>681,487,794</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | 49,333,591 | | 49,333,591 |
| Deferred outflows of resources related to OPEB | 2,877,471 | | 2,877,471 |
| Deferred amount on debt refunding | 2,152,795 | | 2,152,795 |
| Total deferred outflows of resources | <u>54,363,857</u> | | <u>54,363,857</u> |
| LIABILITIES | | | |
| Accounts payable | 28,907,601 | 675 | 28,908,276 |
| Interest payable | 5,123,539 | | 5,123,539 |
| Unearned revenue | 141,805 | | 141,805 |
| Long-term liabilities, due within one year | 15,639,501 | | 15,639,501 |
| Due in more than one year: | | | |
| Total OPEB liability | 22,529,341 | | 22,529,341 |
| Net pension liability | 153,625,108 | | 153,625,108 |
| Other long-term liabilities | 358,056,001 | | 358,056,001 |
| Total liabilities | <u>584,022,896</u> | <u>675</u> | <u>584,023,571</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to OPEB | 875,082 | | 875,082 |
| Deferred inflows of resources related to pensions | 14,389,206 | | 14,389,206 |
| Total deferred inflows of resources | 15,264,288 | | 15,264,288 |
| NET POSITION | | | |
| Net investment in capital assets | 19,413,413 | | 19,413,413 |
| Restricted for: | | | |
| Capital projects | 99,963,133 | | 99,963,133 |
| Debt service | 20,027,944 | | 20,027,944 |
| Educational programs | 28,453,131 | | 28,453,131 |
| Enterprise activities | | 76,939 | 76,939 |
| Other purposes (expendable) | 2,044,157 | | 2,044,157 |
| Unrestricted | (33,414,925) | | (33,414,925) |
| Total net position | <u>\$ 136,486,853</u> | <u>\$ 76,939</u> | <u>\$ 136,563,792</u> |

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

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

| Functions | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 108,008,994 | \$ 658,987 | \$ 22,724,043 | \$ 6,248,000 | \$ (78,377,964) | | \$ (78,377,964) |
| Instruction-related services: | | | | | | | |
| Instructional supervision and administration | 7,259,169 | 185,333 | 2,190,604 | | (4,883,232) | | (4,883,232) |
| Instructional library, media and technology | 2,080,543 | 34,977 | 57,075 | | (1,988,491) | | (1,988,491) |
| School site administration | 14,698,825 | 104,008 | 1,312,144 | | (13,282,673) | | (13,282,673) |
| Pupil services: | | | | | | | |
| Pupil transportation | 3,277,417 | | 83,757 | | (3,193,660) | | (3,193,660) |
| Food services | 6,502,804 | 734,598 | 5,098,511 | | (669,695) | | (669,695) |
| Other pupil services | 8,365,102 | 13,874 | 1,899,299 | | (6,451,929) | | (6,451,929) |
| Plant services | 26,733,055 | 5,649 | 343,227 | 2,237,250 | (24,146,929) | | (24,146,929) |
| Ancillary services | 1,289,065 | | 47,098 | | (1,241,967) | | (1,241,967) |
| Community services | 26,355 | 1,397 | 24,498 | | (460) | | (460) |
| General administration: | | | | | | | |
| Data processing services | 2,874,288 | | 148,240 | | (2,726,048) | | (2,726,048) |
| Other general administration | 15,713,811 | 333,167 | 1,491,475 | | (13,889,169) | | (13,889,169) |
| Interest and other charges | 14,893,423 | | | | (14,893,423) | | (14,893,423) |
| Bond issuance costs | 180,000 | | | | (180,000) | | (180,000) |
| Other outgo | 1,127,914 | 4,948,016 | 2,628,690 | | 6,448,792 | | 6,448,792 |
| Depreciation (unallocated) | 3,994,177 | | | | (3,994,177) | | (3,994,177) |
| Total governmental activities | 217,024,942 | 7,020,006 | 38,048,661 | 8,485,250 | (163,471,025) | | (163,471,025) |
| Business-type activities: | | | | | | | |
| Enterprise activities | 12,649 | 14,282 | 39 | | | \$ 1,672 | 1,672 |
| Total | \$ 217,037,591 | \$ 7,034,288 | \$ 38,048,700 | \$ 8,485,250 | \$ (163,471,025) | 1,672 | (163,469,353) |
| General revenues: | | | | | | | |
| Taxes and subventions: | | | | | | | |
| Taxes levied for general purposes | | | | | \$ 34,178,816 | | 34,178,816 |
| Taxes levied for debt service | | | | | 24,430,806 | | 24,430,806 |
| Taxes levied for other specific purposes | | | | | 3,082 | | 3,082 |
| Federal and state aid not restricted to specific purposes | | | | | 103,579,749 | | 103,579,749 |
| Interest and investment earnings | | | | | 1,084,426 | 1,954 | 1,086,380 |
| Interagency revenues | | | | | 467,657 | | 467,657 |
| Miscellaneous revenue | | | | | 1,146,750 | | 1,146,750 |
| Internal transfers | | | | | 5,108 | (5,108) | |
| Total general revenues and transfers | | | | | 164,896,394 | (3,154) | 164,893,240 |
| Increase (decrease) in net position | | | | | 1,425,369 | (1,482) | 1,423,887 |
| Net position, beginning of year | | | | | 135,061,484 | 78,421 | 135,139,905 |
| Net position - ending | | | | | \$ 136,486,853 | \$ 76,939 | \$ 136,563,792 |

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

NATOMAS UNIFIED SCHOOL DISTRICT

BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2020

| | 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 | \$ 22,682,363 | \$ 22,769,457 | \$ 93,450,047 | \$ 20,812,780 | \$ 19,985,424 | \$ 233,292 | \$ 179,933,363 |
| Accounts receivable | 12,941,478 | 3,147,307 | 483,139 | 333,368 | 99,069 | 1,694,115 | 18,698,476 |
| Due from other funds | 1,204,842 | 1,075,895 | 195,681 | | | 125,600 | 2,602,018 |
| Inventories | | | | | | 18,040 | 18,040 |
| Total assets | <u>\$ 36,828,683</u> | <u>\$ 26,992,659</u> | <u>\$ 94,128,867</u> | <u>\$ 21,146,148</u> | <u>\$ 20,084,493</u> | <u>\$ 2,071,047</u> | <u>\$ 201,251,897</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 12,910,367 | \$ 297,671 | \$ 14,796,333 | \$ 338,137 | | \$ 565,093 | \$ 28,907,601 |
| Due to other funds | 1,379,633 | 762,608 | | 196,908 | | 268,824 | 2,607,973 |
| Unearned revenue | 68,066 | | | | \$ 56,549 | 17,190 | 141,805 |
| Total liabilities | <u>14,358,066</u> | <u>1,060,279</u> | <u>14,796,333</u> | <u>535,045</u> | <u>56,549</u> | <u>851,107</u> | <u>31,657,379</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 35,000 | 5,000 | | | | 18,040 | 58,040 |
| Restricted | 3,979,229 | 25,164,466 | 79,332,534 | 20,611,103 | 20,027,944 | 1,373,089 | 150,488,365 |
| Committed | 17,719,173 | | | | | | 17,719,173 |
| Assigned | 214,636 | 762,914 | | | | | 977,550 |
| Unassigned | 522,579 | | | | | (171,189) | 351,390 |
| Total fund balances | <u>22,470,617</u> | <u>25,932,380</u> | <u>79,332,534</u> | <u>20,611,103</u> | <u>20,027,944</u> | <u>1,219,940</u> | <u>169,594,518</u> |
| Total liabilities and fund balances | <u>\$ 36,828,683</u> | <u>\$ 26,992,659</u> | <u>\$ 94,128,867</u> | <u>\$ 21,146,148</u> | <u>\$ 20,084,493</u> | <u>\$ 2,071,047</u> | <u>\$ 201,251,897</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, 2020

| | |
|--|----------------|
| Total fund balance, governmental funds | \$ 169,594,518 |
|--|----------------|

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 \$624,307,919 and the accumulated depreciation is \$141,541,663 | 482,766,256 |
|---|-------------|

| | |
|---|-------------|
| 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: | (5,123,538) |
|---|-------------|

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 | (286,026,715) |
| Certificates of participation | (56,450,000) |
| Accreted interest | (16,177,517) |
| Unamortized premium on issuance of debt | (13,234,268) |
| Capital leases payable | (167,092) |
| Early retirement incentive | (1,465,228) |
| Total OPEB liability | (22,529,341) |
| Compensated absences | (174,683) |
| Net pension liability | (153,625,108) |

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 | 49,333,591 |
| Deferred outflows of resources resulting from deferred amount on refundings | 2,152,795 |
| Deferred outflows of resources related to OPEB | 2,877,471 |
| Deferred inflows of resources related to OPEB | (875,082) |
| Deferred inflows of resources related to pension | <u>(14,389,206)</u> |

| | |
|---|-----------------------|
| Total net position, governmental activities | <u>\$ 136,486,853</u> |
|---|-----------------------|

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

| | General Fund | Charter School Fund | Building Fund | Capital Facilities Funds | Bond Interest and Redemption Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------|------------------------|------------------|--------------------------------|--|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| State apportionments | \$ 80,295,235 | \$ 23,212,942 | | | | | \$ 103,508,177 |
| Local sources | 23,117,101 | 7,050,147 | | | | | 30,167,248 |
| Total local control funding formula | 103,412,336 | 30,263,089 | | | | | 133,675,425 |
| Federal revenues | 4,738,055 | 126,166 | | | | \$ 4,995,110 | 9,859,331 |
| Other state revenues | 20,528,045 | 2,773,591 | | | \$ 150,004 | 8,075,945 | 31,527,585 |
| Other local revenues | 2,204,395 | 1,610,008 | \$ 1,052,193 | \$ 6,669,018 | 24,557,003 | 810,542 | 36,903,159 |
| Total revenues | 130,882,831 | 34,772,854 | 1,052,193 | 6,669,018 | 24,707,007 | 13,881,597 | 211,965,500 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Instruction | 78,235,911 | 20,353,077 | | | | 1,204,171 | 99,793,159 |
| Instruction-related services: | | | | | | | |
| Supervision of instruction | 6,355,999 | 73,150 | | | | 44,780 | 6,473,929 |
| Instructional library, media and tech | 1,867,687 | 2,125 | | | | | 1,869,812 |
| School site administration | 7,593,920 | 5,334,149 | | | | 172,061 | 13,100,130 |
| Pupil services: | | | | | | | |
| Pupil transportation | 2,311,391 | 474,920 | | | | | 2,786,311 |
| Food services | 4,300 | | | | | 5,848,140 | 5,852,440 |
| Other pupil services | 6,046,225 | 1,395,161 | | | | 15,513 | 7,456,899 |
| Ancillary services | 1,148,135 | 88,510 | | | | | 1,236,645 |
| Enterprise activities | 15,945 | | | | | | 15,945 |
| Community services | 3,406 | | | | | 19,963 | 23,369 |
| General administration: | | | | | | | |
| Data processing services | 2,454,083 | | | | | | 2,454,083 |
| Other general administration | 7,611,582 | 974,827 | | 143,316 | | 252,734 | 8,982,459 |
| Plant services | 13,066,601 | 2,171,318 | | | | 52,921 | 15,290,840 |
| Debt service: | | | | | | | |
| Principal | | | | | 8,569,551 | | 8,569,551 |
| Interest and other charges | | | 3,153,022 | | 11,952,152 | | 15,105,174 |
| Bond issuance costs | | | 180,000 | | | | 180,000 |
| Capital outlay | 1,552,908 | 3,293 | 47,175,270 | 8,318,211 | | | 57,049,682 |
| Transfers to other agencies | 1,127,914 | | | | | | 1,127,914 |
| Total expenditures | 129,396,007 | 30,870,530 | 50,508,292 | 8,461,527 | 20,521,703 | 7,610,283 | 247,368,342 |
| Excess (deficiency) of revenues over expenditures | 1,486,824 | 3,902,324 | (49,456,099) | (1,792,509) | 4,185,304 | 6,271,314 | (35,402,842) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Interfund transfers out | (187,557) | (616,734) | | (559,116) | | (6,248,000) | (7,611,407) |
| Proceeds from sale of bonds | | | 60,000,000 | | | | 60,000,000 |
| Premium on bonds issued | | | 915,277 | | | | 915,277 |
| Interfund transfers in | 806,235 | 369,615 | 6,248,000 | | | 192,665 | 7,616,515 |
| Total other financing sources (uses) | 618,678 | (247,119) | 67,163,277 | (559,116) | | (6,055,335) | 60,920,385 |
| Increase (decrease) in fund balances | 2,105,502 | 3,655,205 | 17,707,178 | (2,351,625) | 4,185,304 | 215,979 | 25,517,543 |
| Fund balances - beginning | 20,365,115 | 22,277,175 | 61,625,356 | 22,962,728 | 15,842,640 | 1,003,961 | 144,076,975 |
| Fund balances - ending | \$ 22,470,617 | \$ 25,932,380 | \$ 79,332,534 | \$ 20,611,103 | \$ 20,027,944 | \$ 1,219,940 | \$ 169,594,518 |

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, 2020

| | |
|---|---------------|
| Net change in fund balances - total governmental funds: | \$ 25,517,543 |
|---|---------------|

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 (\$52,926,245) exceeds depreciation expense (\$14,247,056) in the period. | 38,679,189 |
|--|------------|

| | |
|--|-----------|
| 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. | 8,569,551 |
|--|-----------|

| | |
|---|--------------|
| 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. | (60,915,277) |
|---|--------------|

| | |
|--|-------------|
| Changes in the liability for compensated absences and early retirement incentives 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. | (1,410,430) |
|--|-------------|

| | |
|---|-----------|
| 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. | (685,476) |
|---|-----------|

| | |
|--|-----------|
| In governmental funds, donated and contributed capital assets are not reported. In the government-wide statements, donated or contributed capital assets are recorded at market value. | 2,237,250 |
|--|-----------|

| | |
|---|---------|
| Accreted interest is an expense that is not reported in the governmental funds. | 261,665 |
|---|---------|

| | |
|--|---------|
| 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: | 635,562 |
|--|---------|

| | |
|--|-------------|
| 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: | (9,663,465) |
|--|-------------|

| | |
|--|--------------------|
| 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>(1,800,743)</u> |
|--|--------------------|

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 1,425,369</u> |
|---|---------------------|

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

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

ASSETS

| | |
|----------------------|---------------|
| Cash and equivalents | \$ 67,794 |
| Accounts receivable | 3,865 |
| Due from other funds | <u>5,955</u> |
| Total assets | <u>77,614</u> |

LIABILITIES

| | |
|----------------------|------------|
| Current Liabilities: | |
| Accounts payable | <u>675</u> |

NET POSITION

| | |
|--------------------|------------------|
| Unrestricted | <u>76,939</u> |
| Total net position | <u>\$ 76,939</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

| | |
|-------------------------|---------------|
| Charges for services | \$ 14,282 |
| Other state revenue | <u>39</u> |
| Total operating revenue | <u>14,321</u> |

OPERATING EXPENSES

| | |
|-----------------------|---------------|
| Enterprise activities | <u>12,649</u> |
| Operating income | 1,672 |

NON-OPERATING REVENUES (EXPENSES)

| | |
|--|----------------|
| Interest income | 1,954 |
| Operating transfers to other funds | <u>(5,108)</u> |
| Total non-operating revenue (expenses) | <u>(3,154)</u> |

| | |
|--------------------------|---------|
| Decrease in net position | (1,482) |
|--------------------------|---------|

| | |
|---------------------------------|---------------|
| Net position, beginning of year | <u>78,421</u> |
|---------------------------------|---------------|

| | |
|-----------------------|-------------------------|
| Net position - ending | <u><u>\$ 76,939</u></u> |
|-----------------------|-------------------------|

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-----------------|
| Cash received from enterprise activities | \$ 12,283 |
| Other operating receipts | 39 |
| Payments for interfund services used | (112,012) |
| Receipts from interfund services provided | 27,570 |
| Payments for services | <u>(11,974)</u> |
| Net cash and equivalents used by operating activities | (84,094) |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--------------------------|---------|
| Transfers to other funds | (5,108) |
|--------------------------|---------|

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-------------------------|
| Interest income | <u>1,954</u> |
| Net decrease in cash and equivalents | (87,248) |
| Cash and equivalents, beginning of year | <u>155,042</u> |
| Cash and equivalents, end of year | <u><u>\$ 67,794</u></u> |

RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS USED BY OPERATING ACTIVITIES

| | |
|---|---------------------------|
| Operating income | \$ 1,672 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (1,999) |
| Accounts payable | 675 |
| Due to other funds | (112,012) |
| Due from other funds | <u>27,570</u> |
| Net cash and equivalents used by operating activities | <u><u>\$ (84,094)</u></u> |

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

| | <u>Scholarship Trust Fund</u> | <u>Student Body Agency Fund</u> |
|-----------------------------|-----------------------------------|-------------------------------------|
| ASSETS | | |
| Cash and equivalents | \$ 17,976 | \$ 555,862 |
| Other receivables | <u>130</u> | <u></u> |
| Total assets | <u>18,106</u> | <u>\$ 555,862</u> |
| LIABILITIES | | |
| Accounts payable | 2,250 | |
| Due to student groups | <u></u> | <u>\$ 555,862</u> |
| NET POSITION | | |
| Restricted for scholarships | <u>\$ 15,856</u> | |

NATOMAS UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED JUNE 30, 2020

| | <u>Scholarship Trust Fund</u> |
|----------------------------------|-----------------------------------|
| REVENUES: | |
| Other local sources | \$ <u>4,303</u> |
| EXPENDITURES: | |
| Community Services | <u>4,018</u> |
| Change in net position | 285 |
| Net position - beginning of year | <u>15,571</u> |
| Net position - end of year | <u>\$ 15,856</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2020

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, 2020

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 two proprietary funds, the Cafeteria Enterprise Fund and the Discovery Cafe Enterprise Fund. The principal operating revenues of the funds are charges for cafeteria and cafe services. Operating expenses include the costs of cafeteria and cafe 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, 2020

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 fiduciary funds 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, 2020

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 Funds

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

The **Discovery Café Enterprise Fund** is a propriety fund used to account for the Café at Discovery High School 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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.

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, 2020, 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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.

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

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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.

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, 2020, the District had a Reserve for Economic Uncertainty of \$522,579 in the General Fund's unassigned fund balance which represents .4% 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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Q. FUTURE ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District to the year ending June 30, 2021. 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 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*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District to the year ending June 30, 2022. 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.

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).

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

3. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2020, 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 | <u>\$ 145,980,891</u> | <u>\$ 67,294</u> | <u>\$ 17,976</u> |
| Deposits: | | | |
| Cash on hand and in banks | 47,038 | 500 | 555,862 |
| Cash in revolving fund | <u>40,000</u> | <u>500</u> | <u>555,862</u> |
| Total deposits | 87,538 | 500 | 555,862 |
| Cash awaiting deposit | 11,935 | | |
| Investments (cash equivalent): | | | |
| Cash with Fiscal Agent | <u>33,835,499</u> | <u>67,794</u> | <u>573,838</u> |
| Total cash and equivalents | <u>\$ 179,933,363</u> | <u>\$ 67,794</u> | <u>\$ 573,838</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.

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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2020, the weighted average maturity of the investments contained in the treasury investment pool is approximately 281 days.

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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 \$214,384.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2020:

| | <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>Enterprise Funds</u> | <u>Total Funds</u> |
|-------------|-------------------------|------------------------------------|--------------------------|--|--|---|-----------------------------|------------------------|
| Federal | \$ 2,304,233 | \$ 126,166 | | | | \$ 1,513,511 | | \$ 3,943,910 |
| State | 1,725,828 | 297,800 | | | | 179,214 | | 2,202,842 |
| Other local | <u>8,911,417</u> | <u>2,723,341</u> | <u>\$ 483,139</u> | <u>\$ 333,368</u> | <u>\$ 99,069</u> | <u>1,390</u> | <u>\$ 3,865</u> | <u>12,555,589</u> |
| Totals | <u>\$12,941,478</u> | <u>\$3,147,307</u> | <u>\$ 483,139</u> | <u>\$ 333,368</u> | <u>\$ 99,069</u> | <u>\$ 1,694,115</u> | <u>\$ 3,865</u> | <u>\$18,702,341</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, 2020

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2020 were as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|--------------------------------|----------------------------------|-------------------------------|
| Major Governmental Funds: | | |
| General | \$ 1,204,842 | \$ 1,379,633 |
| Charter School | 1,075,895 | 762,608 |
| Building | 195,681 | |
| Capital Facilities | | 196,908 |
| Other Governmental Funds: | | |
| Adult Education | 50,000 | 16,573 |
| Child Development | | 75,742 |
| Cafeteria | 75,600 | 160,419 |
| County Schools Facilities Fund | | 16,090 |
| Proprietary fund: | | |
| Enterprise Funds | <u>5,955</u> | |
| Totals | <u>\$ 2,607,973</u> | <u>\$ 2,607,973</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, 2020 were as follows:

| | |
|---|---------------------|
| Transfer from the General Fund to the Cafeteria Fund to fund food services bad debt expenditures | \$ 75,600 |
| Transfer from the General Fund to the Adult Education Fund to help support the program | 50,000 |
| Transfer from the Cafeteria Enterprise Fund to the Cafeteria Fund for operations | 5,108 |
| Transfer from the General Fund to the Cafeteria Fund to pay for multi-funded employees | 51,204 |
| Transfer from the General Fund to the Cafeteria Fund for delivery van costs | 10,573 |
| Transfer from the Charter School Fund to the General Fund for MOU fees for special education services | 616,734 |
| Transfer from the Capital Facilities Fund to the Charter School Fund for lease payments | 369,615 |
| Transfer from the Capital Facilities Fund to the General Fund for administrative fees | 189,501 |
| Transfer from the County School Facilities Fund to the Building Fund for interest costs | 57,405 |
| Transfer from the County School Facilities Fund to the Building Fund for construction costs at Natomas Pacific Pathways Prep Elementary School | <u>6,190,595</u> |
| Total | <u>\$ 7,616,515</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

6. CAPITAL ASSETS AND DEPRECIATION

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

| | <u>Balance June 30, 2019</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> |
|--|----------------------------------|-----------------------|----------------------|-------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 71,020,635 | | \$ 2,237,250 | | \$ 73,257,885 |
| Work-in-process | <u>10,583,827</u> | <u>\$ (5,925,683)</u> | <u>42,426,185</u> | | <u>47,084,329</u> |
| Total capital assets, not being depreciated | <u>81,604,462</u> | <u>(5,925,683)</u> | <u>44,663,435</u> | | <u>120,342,214</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 461,709,059 | 4,954,580 | 4,789,278 | | 471,452,917 |
| Improvement of sites | 13,335,108 | 971,103 | 4,281,244 | | 18,587,455 |
| Equipment | <u>12,495,795</u> | | <u>1,429,538</u> | | <u>13,925,333</u> |
| Total capital assets, being depreciated | <u>487,539,962</u> | <u>5,925,683</u> | <u>10,500,060</u> | | <u>503,965,705</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (113,989,384) | | (11,153,700) | | (125,143,084) |
| Improvement of sites | (5,791,195) | | (1,815,498) | | (7,606,693) |
| Equipment | <u>(7,514,028)</u> | | <u>(1,277,858)</u> | | <u>(8,791,886)</u> |
| Total accumulated depreciation | <u>(127,294,607)</u> | | <u>(14,247,056)</u> | | <u>(141,541,663)</u> |
| Total capital assets, being depreciated, net | <u>360,245,355</u> | <u>5,925,683</u> | <u>(3,746,996)</u> | | <u>362,424,042</u> |
| Governmental activities capital assets, net | <u>\$ 441,849,817</u> | <u>\$</u> | <u>\$ 40,916,439</u> | <u>\$</u> | <u>\$482,766,256</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|--|----------------------|
| Governmental activities: | |
| Instruction | \$ 104,531 |
| Instruction supervision and administration | 1,703 |
| Food services | 76,314 |
| Other pupil services | 83,463 |
| Ancillary services | 6,450 |
| Data processing services | 65,394 |
| Plant services | 9,895,084 |
| Other general administration | 19,940 |
| Depreciation (unallocated) | <u>3,994,177</u> |
| Total depreciation expense | <u>\$ 14,247,056</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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> |
|---------------------------------|---------------------|------------------|---------------------|
| 2021 | \$ 750,000 | \$ 53,253 | \$ 803,253 |
| 2022 | 275,000 | 8,181 | 283,181 |
| | <u>\$ 1,025,000</u> | <u>\$ 61,434</u> | <u>\$ 1,086,434</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> |
|---------------------------------|-------------------|-------------------|---------------------|
| 2021 | \$ 183,306 | \$ 228,096 | \$ 411,402 |
| 2022 | 175,461 | 224,498 | 399,959 |
| 2023 | 164,259 | 214,824 | 379,083 |
| | <u>\$ 523,026</u> | <u>\$ 667,418</u> | <u>\$ 1,190,444</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2021 | \$ 1,453,456 | \$ 1,421,544 | \$ 2,875,000 |
| 2022 | 1,497,995 | 1,647,005 | 3,145,000 |
| 2023 | 1,526,530 | 1,878,470 | 3,405,000 |
| 2024 | 1,562,863 | 2,127,137 | 3,690,000 |
| 2025 | 1,589,881 | 2,385,119 | 3,975,000 |
| 2026-2030 | <u>7,822,964</u> | <u>15,547,036</u> | <u>23,370,000</u> |
| | <u>\$ 15,453,689</u> | <u>\$ 25,006,311</u> | <u>\$ 40,460,000</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> |
|---------------------------------|----------------------|---------------------|----------------------|
| 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 | 1,545,000 | 226,700 | 1,771,700 |
| 2026-2028 | <u>4,895,000</u> | <u>284,900</u> | <u>5,179,900</u> |
| | <u>\$ 11,650,000</u> | <u>\$ 1,926,100</u> | <u>\$ 13,576,100</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 |
|---------------------------------|----------------------|---------------------|----------------------|
| 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 | 2,110,000 | 577,800 | 2,687,800 |
| 2026-2029 | 11,740,000 | 1,099,425 | 12,839,425 |
| | <u>\$ 20,620,000</u> | <u>\$ 4,771,825</u> | <u>\$ 25,391,825</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 |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 | 4,125,000 | 1,330,056 | 5,455,056 |
| 2026-2030 | 31,075,000 | 3,205,827 | 34,280,827 |
| 2031 | 2,470,000 | 40,139 | 2,510,139 |
| | <u>\$ 48,895,000</u> | <u>\$ 11,550,371</u> | <u>\$ 60,445,371</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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> |
|---------------------------------|----------------------|----------------------|-----------------------|
| 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 | 1,435,000 | 2,506,950 | 3,941,950 |
| 2026-2030 | 11,150,000 | 11,265,494 | 22,415,494 |
| 2031-2035 | 17,705,000 | 8,342,915 | 26,047,915 |
| 2036-2040 | 25,890,000 | 3,981,006 | 29,871,006 |
| 2041 | <u>6,265,000</u> | <u>125,297</u> | <u>6,390,297</u> |
| | <u>\$ 64,650,000</u> | <u>\$ 36,653,212</u> | <u>\$ 101,303,212</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> |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 | | 1,450,400 | 1,450,400 |
| 2026-2030 | 795,000 | 7,206,125 | 8,001,125 |
| 2031-2035 | 4,970,000 | 6,546,500 | 11,516,500 |
| 2036-2040 | 10,965,000 | 4,749,875 | 15,714,875 |
| 2041-2043 | <u>17,660,000</u> | <u>1,233,000</u> | <u>18,893,000</u> |
| | <u>\$ 36,770,000</u> | <u>\$ 27,099,500</u> | <u>\$ 63,869,500</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 | 120,000 | 1,297,500 | 1,417,500 |
| 2026-2030 | 1,875,000 | 6,359,125 | 8,234,125 |
| 2031-2033 | 24,015,000 | 2,222,375 | 26,237,375 |
| | <u>\$ 26,440,000</u> | <u>\$ 15,125,250</u> | <u>\$ 41,565,250</u> |

Series 2019

In August 2019 the District issued \$60,000,000 of General Obligation Bonds, Election of 2018, Series 2019 to finance the specific school facilities projects set forth in the ballot measure approved by the District's voters and pay costs of issuance of the Bonds. The District authorized the bonds pursuant to the election of the registered voters held on November 6, 2018, and the bonds are payable from the ad valorem taxes to be levied annually upon all property subject to taxation by the District. The bonds bear interest rates from 3.0% to 5.0% and mature in varying amounts through August 2049 as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|----------------------|----------------------|----------------------|
| 2021 | \$ 3,740,000 | \$ 1,923,500 | \$ 5,663,500 |
| 2022 | 4,660,000 | 1,713,500 | 6,373,500 |
| 2023 | | 1,597,000 | 1,597,000 |
| 2024 | | 1,597,000 | 1,597,000 |
| 2025 | | 1,597,000 | 1,597,000 |
| 2026-2030 | | 7,985,000 | 7,985,000 |
| 2031-2035 | 4,630,000 | 7,524,050 | 12,154,050 |
| 2036-2040 | 8,655,000 | 6,456,075 | 15,111,075 |
| 2041-2045 | 14,825,000 | 4,722,975 | 19,547,975 |
| 2046-2050 | 23,490,000 | 1,882,950 | 25,372,950 |
| | <u>\$ 60,000,000</u> | <u>\$ 36,999,050</u> | <u>\$ 96,999,050</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Certificates of Participation, 2019 Financing Project

In January 2019, the District issued \$56,450,000 of Certificates of Participation, 2019 Financing Projects, (the Certificates) 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> |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 | 1,720,000 | 2,030,200 | 3,750,200 |
| 2026-2030 | 9,715,000 | 9,038,500 | 18,753,500 |
| 2031-2035 | 11,855,000 | 6,888,500 | 18,743,500 |
| 2036-2040 | 14,475,000 | 4,263,700 | 18,738,700 |
| 2041-2044 | 13,850,000 | 1,135,400 | 14,985,400 |
| | <u>\$ 56,450,000</u> | <u>\$ 32,101,800</u> | <u>\$ 88,551,800</u> |

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> |
|---|---------------------------|
| 2021 | \$ 92,707 |
| 2022 | <u>92,707</u> |
| Total | 185,414 |
| Less amount representing interest | <u>(18,323)</u> |
| Present value of net minimum lease payments | <u>\$ 167,091</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Early Retirement Incentive Program

Public Agency Retirement Services (PARS) made available to the District supplementary retirement plans during the fiscal years ending June 30, 2017 and 2020. These are retirement incentive programs supplementing STRS/PERS, and qualifying under the relevant sections of Section 403(b) of the Internal Revenue Code. The amount of the incentive is eighty percent of the eligible employee's final base salary. The incentive amount is contributed by the District into the employee's 403(b) account, in annual amounts of 20% per year, over a period of 5 years. District contributions to the former employee's 403(b) account shall not be considered creditable compensation for CalPERS and CalSTRS purposes. The annual requirements to amortize the liability outstanding as of June 30, 2020 are as follows:

| <u>Year Ending June 30,</u> | <u>Payment</u> |
|---------------------------------|---------------------|
| 2021 | \$ 548,909 |
| 2022 | 548,909 |
| 2023 | 122,470 |
| 2024 | 122,470 |
| 2025 | <u>122,470</u> |
| Totals | <u>\$ 1,465,228</u> |

Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2020 is shown below:

| | <u>Balance June 30, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> | <u>Due Within One Year</u> |
|-------------------------------|----------------------------------|----------------------|------------------------|----------------------------------|--------------------------------|
| General Obligation Bonds | \$ 234,512,720 | \$ 60,000,000 | \$ (8,486,005) | \$ 286,026,715 | \$ 12,311,762 |
| Certificates of Participation | 56,450,000 | | | 56,450,000 | |
| Accreted interest | 16,439,182 | 1,707,329 | (1,968,994) | 16,177,517 | 1,653,238 |
| Premium on issuance of debt | 13,159,047 | 915,277 | (840,057) | 13,234,268 | 867,363 |
| Early retirement incentive | | 1,891,667 | (426,439) | 1,465,228 | 548,909 |
| Capital lease payable | 250,637 | | (83,546) | 167,091 | 83,546 |
| Compensated absences | <u>229,481</u> | | <u>(54,798)</u> | <u>174,683</u> | <u>174,683</u> |
| Total | <u>\$ 321,041,067</u> | <u>\$ 64,514,273</u> | <u>\$ (11,859,839)</u> | <u>\$ 373,695,502</u> | <u>\$ 15,639,501</u> |

Accreted interest of \$16,177,517 at June 30, 2020 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, 2020

8. FUND BALANCES

Fund balances, by category, at June 30, 2020 consisted of the following:

| | <u>General Fund</u> | <u>Charter Schools Fund</u> | <u>Building Fund</u> | <u>Capital Facilities Fund</u> | <u>Bond Interest and Redemption Fund</u> | <u>All Non- Major Funds</u> | <u>Total</u> |
|-------------------------------------|-------------------------|-------------------------------------|--------------------------|--|--|-------------------------------------|-----------------------|
| Nonspendable: | | | | | | | |
| Revolving cash fund | \$ 35,000 | \$ 5,000 | | | | | \$ 40,000 |
| Inventory | | | | | | \$ 18,040 | 18,040 |
| Subtotal nonspendable | <u>35,000</u> | <u>5,000</u> | | | | <u>18,040</u> | <u>58,040</u> |
| Restricted: | | | | | | | |
| Legally restricted programs | 3,979,229 | 25,164,466 | | | | 1,353,593 | 30,497,288 |
| Capital projects | | | \$ 79,332,534 | \$ 20,611,103 | | 19,496 | 99,963,133 |
| Debt service | | | | | \$ 20,027,944 | | 20,027,944 |
| Subtotal restricted | <u>3,979,229</u> | <u>25,164,466</u> | <u>79,332,534</u> | <u>20,611,103</u> | <u>20,027,944</u> | <u>1,373,089</u> | <u>150,488,365</u> |
| Committed: | | | | | | | |
| Stabilization arrangement | 11,446,145 | | | | | | 11,446,145 |
| Other commitments: | | | | | | | |
| PARS | 2,152,712 | | | | | | 2,152,712 |
| Social studies textbook adoption | 147,316 | | | | | | 147,316 |
| Science textbook adoption | 1,500,000 | | | | | | 1,500,000 |
| Social workers | 2,000,000 | | | | | | 2,000,000 |
| SELPA stabilization | 500,000 | | | | | | 500,000 |
| Subtotal committed | <u>17,719,173</u> | | | | | | <u>17,719,173</u> |
| Assigned: | | | | | | | |
| Diversity recruitment | 76,779 | | | | | | 76,779 |
| OPEB reserve | 137,857 | | | | | | 137,857 |
| Instructional materials | | 762,914 | | | | | 762,914 |
| Subtotal assigned | <u>214,636</u> | <u>762,914</u> | | | | | <u>977,550</u> |
| Unassigned: | | | | | | | |
| Designated for economic uncertainty | 522,579 | | | | | | 522,579 |
| Unassigned | | | | | | (171,189) | (171,189) |
| Subtotal unassigned | <u>522,579</u> | | | | | <u>(171,189)</u> | <u>351,390</u> |
| Total fund balances | <u>\$22,470,617</u> | <u>\$25,932,380</u> | <u>\$ 79,332,534</u> | <u>\$ 20,611,103</u> | <u>\$ 20,027,944</u> | <u>\$ 1,219,940</u> | <u>\$ 169,594,518</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 16.15% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2020, was 17.10% of annual pay. District contributions to the CalSTRS Plan were \$11,271,612 for the year ended June 30, 2020.

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 5.811% in 2019-20. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2019, was 10.328% of the District's 2014-15 creditable CalSTRS compensation.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund \$1,117,000,000 in contributions on-behalf of school employers for the 2019-20 fiscal year to be transferred to the CalSTRS Plan. Furthermore, SB 90 will appropriate contributions for the 2020-21 fiscal year, such that it will result in school employers having to contribute 0.70 percentage point less than amounts set in existing prescribed schedules in the 2020-21 fiscal. The District's proportionate share of the State's SB90 on-behalf contribution to the CalSTRS Plan for the period ended June 30, 2020 was \$2,031,209.

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, 2018, and rolling forward the total pension liability to the measurement date of June 30, 2019. The financial reporting actuarial valuation 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 valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2019, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term * Expected Real Rate of Return |
|----------------------------|---|---|
| Global Equity | 47.00% | 4.80% |
| Fixed Income | 12.00% | 1.30% |
| Real Estate | 13.00% | 3.60% |
| Private Equity | 13.00% | 6.30% |
| Risk Mitigating Strategies | 9.00% | 1.80% |
| Inflation Sensitive | 4.00% | 3.30% |
| Cash / Liquidity | 2.00% | -1.40% |
| 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.

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

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2020, was 19.721% of annual pay. District contributions to the CalPERS Plan were \$4,694,381 for the year ended June 30, 2020.

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 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, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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.

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

As of June 30, 2020, 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 | \$ 106,572,880 |
| CalPERS Plan | 47,052,228 |
| Total District net pension liability | 153,625,108 |
| State's proportionate share of CalSTRS net pension liability associated with the District | 57,973,377 |
| Total | \$ 211,598,485 |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2019, 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, 2019, was .1180% and .1614% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.0120%, and of 0.0090%, from its proportion measured as of June 30, 2018 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2019, the District recognized pension expense of \$37,958,591 and revenue of \$12,329,132 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 3,686,920 | \$ (3,003,100) |
| Changes in assumptions | 15,718,972 | (4,105,220) |
| Changes in proportion | 13,716,901 | (6,844,468) |
| Change in proportionate share of contributions | 244,805 | |
| Net differences between projected and actual investment earnings of pension plan investments | | (436,418) |
| District contributions subsequent to measurement date | <u>15,965,993</u> | |
| Total | <u>\$ 49,333,591</u> | <u>\$ (14,389,206)</u> |

The \$15,965,993 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 | |
|-------------------------------|--------------|
| 2021 | \$ 8,197,948 |
| 2022 | 1,837,099 |
| 2023 | 3,431,196 |
| 2024 | 4,035,460 |
| 2025 | 184,457 |
| Thereafter | 1,292,232 |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 | \$ 158,695,840 | \$ 106,572,880 | \$ 63,353,020 |
| | <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 | \$ 67,822,693 | \$ 47,052,228 | \$ 29,821,693 |

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. 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, 2020, 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. The plan does not issue separate financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Benefits Provided

The District's benefits provided to retirees are established per contractual agreement, which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan.

| | <u>Certificated*</u> | <u>Classified</u> | <u>Management & Confidential</u> |
|-------------------------|--------------------------------|---|---|
| Benefit types provided | Medical, dental and vision | Medical, dental and vision | Medical, dental and vision |
| Duration of Benefits | Supplemental benefit to age 65 | To age 65 | To age 65 |
| Required Service | 10 years | Single Cap: 10 – 14 years Retiree + 1 or Family Cap: 15 or more years | Single Cap: 10 – 14 years Retiree + 1 or Family Cap: 15 or more years |
| Minimum Age | Age 55 | Age 55 | Age 55 |
| Dependent Coverage | Yes | Yes | Yes |
| District Contribution % | 100% | 100% | 100% |
| District Cap | \$7,864 per year | Single cap: \$7,984 per year Retiree + 1cap: \$9,358 per year Family cap: \$13,596 per year | Single cap: \$7,984 per year Retiree + 1cap: \$9,358 per year Family cap: \$13,596 per year |

* Certificated employees are also eligible for the statutory minimum District contribution under PEMHCA upon retirement from the District with a continued coverage under a PEMHCA option. All other groups do not participate in CalPERS Health plans.

Employees Covered

The following is a table of plan participants as of the valuation date of June 30, 2020:

| | |
|---------------------------------------|------------|
| Inactive employees receiving benefits | 72 |
| Active employees | <u>892</u> |
| Total | <u>964</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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 \$714,884 for the year ended June 30, 2020. 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, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The District's total OPEB liability of \$22,529,341 was based on an actuarial valuation as of June 30, 2019 and a measurement date of June 30, 2020. The results of the June 30, 2019 actuarial valuation were rolled forward to the June 30, 2020 measurement date 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 | 2.20%, based on Bond Buyer Bond Index |
| Inflation Rate | 3.00% |
| Salary Increases | 3.00% |
| Healthcare Care Cost Trend Rates | 4.00% |
| Mortality - Classified | 2017 CalPERS Mortality Tables for Miscellaneous and School Employees |
| Mortality - Certificated | 2017 CalSTRS retiree Mortality for All Employees |

Changes in Assumptions

During the measurement period ending June 30, 2020, the interest assumption changed from 3.50% to 2.20%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension system. The medical trend rate assumption has been changed to 4.0% for all years from a schedule starting at 8.0% decreasing to 5.0% by 1.0% per year. The PEMHCA benefit trend rate has been changed to 4.0% from 3.50% in all years. The cap trend has been increased to 4.0% from 3.0% in all years. The dental trend rate has been increased to 4.0% from 3.0% in all years.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

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, 2019 | <u>\$ 18,899,763</u> |
| Changes recognized for the measurement period: | |
| Service cost | 1,610,236 |
| Interest on TOL | 677,517 |
| Experience (Gains)/Losses | (962,942) |
| Changes of assumptions | 3,019,651 |
| Benefit payments, including implicit subsidy | <u>(714,884)</u> |
| Net changes | <u>3,629,578</u> |
| Balance at June 30, 2020 | <u>\$ 22,529,341</u> |

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% (1.20%) | Current Discount Rate (2.20%) | Discount Rate +1% (3.20%) |
|----------------------|--|--|--|
| Total OPEB liability | \$ 25,114,365 | \$ 22,529,341 | \$ 20,346,424 |

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:

| | Health Care Trend Rate -1% (3.00%) | Health Care Trend Rate 4.00% | Health Care Trend Rate +1% (5.00%) |
|----------------------|---|---|---|
| Total OPEB liability | \$ 19,648,082 | \$ 22,529,341 | \$ 26,102,080 |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,515,627.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Changes of assumptions | \$ 2,877,471 | |
| Differences between expected and actual experience | | \$ (875,082) |
| Total | <u>\$ 2,877,471</u> | <u>\$ (875,082)</u> |

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

| <u>Year Ended June 30</u> | |
|--------------------------------------|------------|
| 2021 | \$ 227,874 |
| 2022 | 227,874 |
| 2023 | 227,874 |
| 2024 | 227,874 |
| 2025 | 227,874 |
| Thereafter | 863,019 |

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.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Condensed audited financial information of SIA is as follows:

| | SIA <u>June 30, 2020</u> |
|--------------------------------------|---|
| Total Assets | \$ 196,612,352 |
| Total Deferred Outflows of Resources | 1,899,536 |
| Total Liabilities | (82,789,071) |
| Total Deferred Inflows of Resources | <u>(782,679)</u> |
| Total Net Position | <u>\$ 114,940,138</u> |
| Total Revenues | \$ 81,628,208 |
| Total Expenses | <u>(61,057,034)</u> |
| Increase in Net Position | <u>\$ 20,571,174</u> |

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

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, 2020, the District had commitments for capital construction projects totaling approximately \$26 million.

North Natomas Aquatic Center Agreement

On August 19, 2019, the District entered into a funding agreement with the City of Sacramento (City) in which the District committed bond funds not to exceed \$10,600,000 towards the construction of the North Natomas Aquatic Center project. As part of the agreement, the District entered into a joint use agreement with the City that provides for guaranteed access for District students and student athletes for specified use of the Aquatic Center. The District agreed to pay for maintenance and operational costs in proportion to facility use and the agreement provides for the District to receive a proportionate share of revenue from the Aquatic Center. A component of the agreement required the City transfer a 5.788 acre parcel of land adjacent to Inderkum High to the District. During the year ended June 30, 2020, the District made the first required payment totaling \$2,650,000 and has a remaining commitment to transfer \$7,950,000 to the City.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

13. RISKS AND UNCERTAINTIES

On March 13, 2020, the District experienced disruption to its schools as they were required by public health orders to close and move to virtual learning format in response to the Coronavirus/COVID-19 pandemic. Although the disruption is expected to be temporary, the District anticipates some financial impact due to the pandemic. However, the financial impact and duration cannot be reasonably estimated at this time.

14. SUBSEQUENT EVENT

On September 15, 2020, the District issued the following:

- General Obligation Bonds, Election of 2018, Series 2020A (2018A) in the amount of \$52,980,000 to finance certain of the school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 6, 2018, fund a deposit to the Tax Collection Fund, and pay certain costs of issuance of the 2018A Bonds.
- Taxable General Obligation Bonds, Election of 2018, Series 2020B (2018B) in the amount of \$59,020,000 to defease and refund certificates of participation previously issued by the District and pay certain costs of issuance of the 2018B Bonds.
- General Obligation Bonds, Election of 2014, Series 2020 (2014 Bonds) in the amount of \$20,500,000 to finance certain of the school facilities projects set forth in the ballot measure approved by the District's voters at an election held on November 4, 2014, fund a deposit to the Tax Collection Fund and pay certain costs of issuance of the 2014 Bonds.
- 2020 General Obligation Refunding Bonds ("Refunding Bonds") in the amount of \$27,060,000 to defease and refund certain outstanding general obligation bonds of the District and pay certain costs of issuance of the Refunding Bonds.

The above bonds mature through August 2049 and bear interest at rates ranging from 0.050% - 5.00%.

REQUIRED SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2020

| | <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 | \$ 85,060,439 | \$ 83,370,651 | \$ 80,295,235 | \$ (3,075,416) |
| Local sources | <u>17,271,455</u> | <u>18,963,166</u> | <u>23,117,101</u> | <u>4,153,935</u> |
| Total local control funding formula | 102,331,894 | 102,333,817 | 103,412,336 | 1,078,519 |
| Federal revenues | 5,162,787 | 6,915,853 | 4,738,055 | (2,177,798) |
| Other state revenues | 7,909,625 | 16,801,059 | 20,528,045 | 3,726,986 |
| Other local revenues | <u>4,953,387</u> | <u>2,113,526</u> | <u>2,204,395</u> | <u>90,869</u> |
| Total revenues | <u>120,357,693</u> | <u>128,164,255</u> | <u>130,882,831</u> | <u>2,718,576</u> |
| EXPENDITURES | | | | |
| Certificated personnel salaries | 53,235,026 | 53,687,619 | 52,108,759 | 1,578,860 |
| Classified personnel salaries | 21,072,784 | 20,603,907 | 20,931,265 | (327,358) |
| Employee benefits | 28,481,838 | 28,285,928 | 28,881,149 | (595,221) |
| Books and supplies | 5,360,684 | 6,825,117 | 6,466,417 | 358,700 |
| Services and other operating expenditures | 11,955,976 | 18,678,979 | 18,347,420 | 331,559 |
| Capital outlay | 563,904 | 902,855 | 1,785,817 | (882,962) |
| Other outgo | 1,096,197 | 1,359,493 | 860,246 | 499,247 |
| Allocation of indirect costs | <u>(364,397)</u> | <u>(353,646)</u> | <u>14,934</u> | <u>(368,580)</u> |
| Total expenditures | <u>121,402,012</u> | <u>129,990,252</u> | <u>129,396,007</u> | <u>594,245</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,044,319)</u> | <u>(1,825,997)</u> | <u>1,486,824</u> | <u>3,312,821</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers out | (50,000) | (55,000) | (187,557) | (132,557) |
| Interfund transfers in | <u>814,238</u> | <u>835,734</u> | <u>806,235</u> | <u>(29,499)</u> |
| Total other financing uses | <u>764,238</u> | <u>780,734</u> | <u>618,678</u> | <u>(162,056)</u> |
| Net increase (decrease) in fund balance | (280,081) | (1,045,263) | 2,105,502 | 3,150,765 |
| Fund balance – beginning | <u>20,365,115</u> | <u>20,365,115</u> | <u>20,365,115</u> | |
| Fund balance – ending | <u>\$ 20,085,034</u> | <u>\$ 19,319,852</u> | <u>\$ 22,470,617</u> | <u>\$ 3,150,765</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE CHARTER SCHOOL FUND YEAR ENDED JUNE 30, 2020

| | <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 | \$ 23,690,441 | \$ 23,549,475 | \$ 23,212,942 | \$ (336,533) |
| Local sources | <u>5,265,405</u> | <u>5,986,948</u> | <u>7,050,147</u> | <u>1,063,199</u> |
| Total local control funding formula | 28,955,846 | 29,536,423 | 30,263,089 | 726,666 |
| Federal revenues | 118,500 | 118,500 | 126,166 | 7,666 |
| Other state revenues | 2,211,460 | 2,256,537 | 2,773,591 | 517,054 |
| Other local revenues | <u>1,189,108</u> | <u>1,322,444</u> | <u>1,610,008</u> | <u>287,564</u> |
| Total revenues | <u>32,474,914</u> | <u>33,233,904</u> | <u>34,772,854</u> | <u>1,538,950</u> |
| EXPENDITURES | | | | |
| Certificated personnel salaries | 14,486,258 | 15,481,828 | 14,925,051 | 556,777 |
| Classified personnel salaries | 2,825,690 | 2,783,544 | 2,700,702 | 82,842 |
| Employee benefits | 7,111,182 | 7,110,096 | 7,271,575 | (161,479) |
| Books and supplies | 2,026,791 | 1,709,760 | 1,208,453 | 501,307 |
| Services and other operating expenditures | 4,904,017 | 5,310,659 | 4,758,504 | 552,155 |
| Capital outlay | 5,000 | 9,197 | 6,245 | 2,952 |
| Other outgo | 92,707 | | | |
| Total expenditures | <u>31,451,645</u> | <u>32,405,084</u> | <u>30,870,530</u> | <u>1,534,554</u> |
| Excess (deficiency) of revenues over expenditures | 1,023,269 | 828,820 | 3,902,324 | 3,073,504 |
| OTHER FINANCING SOURCES | | | | |
| Interfund transfers out | (595,238) | (616,734) | (616,734) | |
| Interfund transfers in | <u>581,140</u> | <u>550,755</u> | <u>369,615</u> | <u>(181,140)</u> |
| Total other financing sources | <u>(14,098)</u> | <u>(65,979)</u> | <u>(247,119)</u> | <u>(181,140)</u> |
| Net increase (decrease) in fund balance | 1,009,171 | 762,841 | 3,655,205 | 2,892,364 |
| Fund balance – beginning | <u>22,277,175</u> | <u>22,277,175</u> | <u>22,277,175</u> | |
| Fund balance – ending | <u>\$ 23,286,346</u> | <u>\$ 23,040,016</u> | <u>\$ 25,932,380</u> | <u>\$ 2,892,364</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>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| TOTAL OPEB LIABILITY | | | |
| Service cost | \$ 1,610,236 | \$ 850,059 | \$ 825,300 |
| Interest | 677,517 | 664,032 | 639,702 |
| Experience (Gains)/Losses | (962,942) | (10,909) | |
| Changes of assumptions | 3,019,651 | 206,666 | |
| Benefit payments | <u>(714,884)</u> | <u>(821,641)</u> | <u>(795,274)</u> |
| NET CHANGE IN TOTAL OPEB LIABILITY | 3,629,578 | 888,207 | 669,728 |
| TOTAL OPEB LIABILITY, Beginning | <u>18,899,763</u> | <u>18,011,556</u> | <u>17,341,828</u> |
| TOTAL OPEB LIABILITY, Ending | <u><u>\$ 22,529,341</u></u> | <u><u>\$ 18,899,763</u></u> | <u><u>\$ 18,011,556</u></u> |
| Covered-employee payroll | \$ 74,044,885 | \$ 61,558,383 | \$ 59,765,420 |
| District's total OPEB liability as a percentage of covered-employee payroll | 30% | 31% | 30% |

Notes to Schedule:

There were no changes to benefit terms during the measurement periods ended June 30, 2018, 2019, and 2020. 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%. For the measurement period ended June 30, 2020, the discount rate decreased from 3.5% to 2.20%.

* Fiscal year 2018 was the 1st year of implementation, therefore only three 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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| District's proportion of the net pension liability | 0.118% | 0.106% | 0.116% | 0.117% | 0.119% | 0.107% |
| District's proportionate share of the net pension liability | \$ 106,572,880 | \$ 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>57,973,377</u> | <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>\$ 164,546,257</u> | <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 | \$ 64,063,176 | \$ 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 | 166% | 169% | 174% | 162% | 145% | 117% |
| Plan fiduciary net position as a percentage of the total pension liability | 73% | 71% | 69% | 70% | 74% | 77% |

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2019, 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 six 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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| District's proportion of the net pension liability | 0.1614% | 0.1524% | 0.1580% | 0.1550% | 0.1520% | 0.1380% |
| District's proportionate share of the net pension liability | \$ 47,052,228 | \$ 40,639,971 | \$ 37,697,000 | \$ 30,547,000 | \$ 22,346,000 | \$ 15,682,000 |
| District's covered-employee payroll | \$ 22,578,046 | \$ 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 | 208% | 200% | 187% | 165% | 133% | 108% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 71% | 72% | 74% | 79% | 83% |

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 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, 2019, 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 six 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Contractually required contribution (actuarially determined) | \$ 11,271,612 | \$ 10,377,930 | \$ 8,315,675 | \$ 8,293,425 | \$ 6,257,620 | \$ 4,901,009 |
| Contributions in relation to the contractually required contributions | <u>(11,271,612)</u> | <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> | <u>\$</u> |
| District's covered-employee payroll | \$ 65,964,751 | \$ 64,063,176 | \$ 57,628,000 | \$ 61,398,000 | \$ 58,319,000 | \$ 55,192,000 |
| Contributions as a percentage of covered-employee payroll | 17.09% | 16.20% | 14.43% | 13.51% | 10.73% | 8.88% |

* Fiscal year 2015 was the 1st year of implementation, therefore only six 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Contractually required contribution (actuarially determined) | \$ 4,694,381 | \$ 4,089,219 | \$ 3,155,035 | \$ 2,792,719 | \$ 2,198,301 | \$ 1,975,605 |
| Contributions in relation to the contractually required contributions | <u>(4,694,381)</u> | <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> | <u>\$</u> |
| District's covered-employee payroll | \$ 23,886,014 | \$ 22,578,046 | \$ 20,314,000 | \$ 20,134,000 | \$ 18,556,000 | \$ 16,784,000 |
| Contributions as a percentage of covered-employee payroll | 19.65% | 18.11% | 15.53% | 13.87% | 11.85% | 11.77% |

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

SUPPLEMENTARY INFORMATION SECTION

NATOMAS UNIFIED SCHOOL DISTRICT

ORGANIZATION JUNE 30, 2020

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 four K-5 elementary school, five K-8 elementary schools, one middle school, five charter schools (one K-5, one K-8, one 6-8, one 6-9 and one 4-12), 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> |
|---------------|----------------|---------------------|
| Lisa Kaplan | President | 2022 |
| Scott Dosick | Vice President | 2020 |
| Micah Grant | Clerk | 2020 |
| Jag Bains | Member | 2023 |
| Susan Heredia | Member | 2020 |

ADMINISTRATION

Chris Evans
Superintendent

Javetta Cleveland
Deputy Superintendent

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2020

| <u>District</u> | <u>Second Period Report</u> | <u>Annual Report</u> |
|-------------------------------------|---------------------------------|--------------------------|
| Elementary: | | |
| Transitional Kindergarten through 3 | 3,352 | 3,352 |
| Grades 4 through 6 | 2,130 | 2,130 |
| Grades 7 and 8 | 1,165 | 1,165 |
| Special Education | 7 | 7 |
| Extended Year ADA | 18 | 18 |
| Elementary Totals | 6,672 | 6,672 |
| High School: | | |
| Grades 9 through 12 | 3,322 | 3,322 |
| Special Education | 13 | 13 |
| Extended Year ADA | 2 | 2 |
| | 3,337 | 3,337 |
| District Total | 10,009 | 10,009 |

Natomas Pacific Pathways Prep Elementary School

Classroom-Based:

| | | |
|---|-----|-----|
| Elementary: | | |
| Transitional Kindergarten through 3 | 227 | 227 |
| Grades 4 through 6 | 104 | 104 |
| Total Natomas Pacific Pathways Prep Elementary School | 331 | 331 |

Natomas Pacific Pathways Prep Middle School

Classroom-Based:

| | | |
|---|-----|-----|
| Elementary: | | |
| Grades 4 through 6 | 163 | 163 |
| Grades 7 through 8 | 338 | 338 |
| Total Natomas Pacific Pathways Prep Middle School | 501 | 501 |

Natomas Pacific Pathways Prep High School

Classroom-Based:

| | | |
|---------------------|-----|-----|
| Secondary: | | |
| Grades 9 through 12 | 610 | 610 |

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2020

| | <u>Second Period Report</u> | <u>Annual Report</u> |
|---|---------------------------------|--------------------------|
| <u>Westlake Charter School</u> | | |
| <u>Classroom-Based:</u> | | |
| Elementary: | | |
| Transitional Kindergarten through 3 | 423 | 423 |
| Grades 4 through 6 | 325 | 325 |
| Grades 7 and 8 | <u>192</u> | <u>192</u> |
| Total Westlake Charter School | <u>940</u> | <u>940</u> |
| <u>Leroy Greene Academy Charter School</u> | | |
| <u>Classroom-Based:</u> | | |
| Elementary: | | |
| Grades 4 through 6 | 128 | 128 |
| Grades 7 through 8 | 268 | 268 |
| High School: | | |
| Grades 9 through 12 | <u>368</u> | <u>368</u> |
| Total Leroy Greene Academy Charter School | <u>764</u> | <u>764</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2020

| Charter School | Charter School Number | Included/Not Included |
|--|--------------------------------------|---------------------------------|
| 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, 2020

| <u>Grade Level</u> | <u>Required Minutes</u> | <u>2019-20 Minutes Offered*</u> | <u>Actual Number of Instructional Days Offered</u> | <u>Number of Days Covered by the COVID-19 School Closure Certification**</u> | <u>Total Number of Instructional Days</u> | <u>Status</u> |
|--|-------------------------|---------------------------------|--|--|---|---------------|
| DISTRICT | | | | | | |
| Kindergarten | 36,000 | 51,060 | 135 | 45 | 180 | In Compliance |
| Grade 1 | 50,400 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 2 | 50,400 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 3 | 50,400 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 6 | 54,000 | 54,120 | 135 | 45 | 180 | In Compliance |
| Grade 7 | 54,000 | 56,640 | 135 | 45 | 180 | In Compliance |
| Grade 8 | 54,000 | 56,640 | 135 | 45 | 180 | In Compliance |
| Grade 9 | 64,800 | 65,316 | 135 | 45 | 180 | In Compliance |
| Grade 10 | 64,800 | 65,316 | 135 | 45 | 180 | In Compliance |
| Grade 11 | 64,800 | 65,316 | 135 | 45 | 180 | In Compliance |
| Grade 12 | 64,800 | 65,316 | 135 | 45 | 180 | In Compliance |
| NATOMAS PACIFIC PATHWAYS PREP ELEMENTARY SCHOOL | | | | | | |
| Kindergarten | 36,000 | 52,860 | 134 | 43 | 177 | In Compliance |
| Grade 1 | 50,400 | 52,860 | 134 | 43 | 177 | In Compliance |
| Grade 2 | 50,400 | 56,310 | 134 | 43 | 177 | In Compliance |
| Grade 3 | 50,400 | 56,310 | 134 | 43 | 177 | In Compliance |
| Grade 4 | 54,000 | 55,395 | 134 | 43 | 177 | In Compliance |
| Grade 5 | 54,000 | 55,395 | 134 | 43 | 177 | In Compliance |
| NATOMAS PACIFIC PATHWAYS PREP MIDDLE SCHOOL | | | | | | |
| Grade 6 | 54,000 | 60,997 | 134 | 43 | 177 | In Compliance |
| Grade 7 | 54,000 | 60,997 | 134 | 43 | 177 | In Compliance |
| Grade 8 | 54,000 | 60,997 | 134 | 43 | 177 | In Compliance |
| NATOMAS PACIFIC PATHWAYS PREP HIGH SCHOOL | | | | | | |
| Grade 9 | 64,800 | 66,181 | 134 | 43 | 177 | In Compliance |
| Grade 10 | 64,800 | 66,181 | 134 | 43 | 177 | In Compliance |
| Grade 11 | 64,800 | 66,181 | 134 | 43 | 177 | In Compliance |
| Grade 12 | 64,800 | 66,181 | 134 | 43 | 177 | In Compliance |

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2020

| <u>Grade Level</u> | <u>Required Minutes</u> | <u>2019-20 Minutes Offered*</u> | <u>Actual Number of Instructional Days Offered</u> | <u>Number of Days Covered by the COVID-19 School Closure Certification**</u> | <u>Total Number of Instructional Days</u> | <u>Status</u> |
|--------------------------------|-------------------------|---------------------------------|--|--|---|---------------|
| WESTLAKE CHARTER SCHOOL | | | | | | |
| Kindergarten | 36,000 | 51,240 | 133 | 47 | 180 | In Compliance |
| Grade 1 | 50,400 | 56,970 | 133 | 47 | 180 | In Compliance |
| Grade 2 | 50,400 | 56,970 | 133 | 47 | 180 | In Compliance |
| Grade 3 | 50,400 | 56,970 | 133 | 47 | 180 | In Compliance |
| Grade 4 | 54,000 | 56,970 | 133 | 47 | 180 | In Compliance |
| Grade 5 | 54,000 | 56,970 | 133 | 47 | 180 | In Compliance |
| Grade 6 | 54,000 | 64,330 | 133 | 47 | 180 | In Compliance |
| Grade 7 | 54,000 | 64,330 | 133 | 47 | 180 | In Compliance |
| Grade 8 | 54,000 | 64,330 | 133 | 47 | 180 | In Compliance |
| LEROY GREEN ACADEMY | | | | | | |
| Grade 6 | 54,000 | 68,152 | 135 | 45 | 180 | In Compliance |
| Grade 7 | 54,000 | 68,152 | 135 | 45 | 180 | In Compliance |
| Grade 8 | 54,000 | 68,152 | 135 | 45 | 180 | In Compliance |
| Grade 9 | 64,800 | 68,152 | 135 | 45 | 180 | In Compliance |

*The credited minutes covered by the COVID-19 School Closure certification are included in the 2019-20 minutes offered column but were not actually offered due to the COVID-19 School Closure.

** In response to COVID-19, all sites received a COVID-19 School Closure Certification from the California Department of Education. All District sites and Leroy Green Academy were closed for 45 instructional days, March 13, 2020 through May 21, 2020. Natomas Pacific Pathways Prep Elementary, Middle, and High Schools were closed for 43 instructional days, March 13, 2020 through May 29, 2020. Westlake Charter School was closed for 47 instructional days, March 13, 2020 through May 27, 2020.

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, 2020

| GENERAL FUND | | | | |
|--|---|-----------------------|-----------------------|-----------------------|
| | June Adopted Budget 2021 | 2020 | 2019 | 2018 |
| Revenues and other financial sources | <u>\$ 121,123,352</u> | <u>\$ 131,689,066</u> | <u>\$ 124,918,032</u> | <u>\$ 107,504,674</u> |
| Expenditures | 123,010,684 | 129,396,007 | 125,682,923 | 111,031,950 |
| Other uses and transfers out | <u>50,000</u> | <u>187,557</u> | <u>133,061</u> | |
| Total outgo | <u>123,060,684</u> | <u>129,583,564</u> | <u>125,815,984</u> | <u>111,031,950</u> |
| Change in fund balance | <u>(1,937,332)</u> | <u>2,105,502</u> | <u>(897,952)</u> | <u>(3,527,276)</u> |
| Ending fund balance | <u>\$ 20,533,285</u> | <u>\$ 22,470,617</u> | <u>\$ 20,365,115</u> | <u>\$ 21,236,067</u> |
| Available reserves ⁽¹⁾ | <u>\$ 3,691,000</u> | <u>\$ 522,579</u> | <u>\$ 3,906,354</u> | <u>\$ 3,322,000</u> |
| Designated for economic uncertainties | <u>\$ 3,691,000</u> | <u>\$ 522,579</u> | <u>\$ 3,771,000</u> | <u>\$ 3,322,000</u> |
| Unassigned fund balance | <u>\$</u> | <u>\$</u> | <u>\$ 135,354</u> | <u>\$</u> |
| Available reserves as a percentage of total outgo | 3.0% | 0.4% | 3.1% | 3.0% |
| Total long-term debt | <u>\$ 534,210,450</u> | <u>\$ 549,849,951</u> | <u>\$ 478,002,221</u> | <u>\$ 437,206,479</u> |
| Average daily attendance at P-2 | 9,995 | 10,009 | 9,759 | 9,363 |

⁽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 increased by \$1,234,550 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$1,937,332. 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 2020-21 fiscal year. Total long-term debt has increased by \$112,634,472 over the past two years.

Average daily attendance has increased by 646 over the past two years. ADA is anticipated to decrease by 14 during fiscal year 2020-21.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

| 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 | \$ 3,821,669 |
| Child Nutrition: School Programs - Commodities | 10.555 | N/A | 87,180 |
| Child Nutrition: Summer Food Service Program Operations | 10.559 | 13004 | <u>1,086,261</u> |
| Subtotal Child Nutrition Cluster | | | <u>4,995,110</u> |
| Total U.S. Department of Agriculture | | | <u>4,995,110</u> |
| U.S. Department of Education: | | | |
| Passed-Through CDE: | | | |
| Title IV, Part A, Student Support and Academic Enrichment Grant Program | 84.424 | 15396 | 95,033 |
| Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act) | 84.048 | 14894 | 73,148 |
| IDEA Early Intervention Grants | 84.181 | 23761 | 34,916 |
| Title II, Part A, Improving Teacher Quality Local Grants | 84.367 | 14341 | 269,473 |
| Title III, Limited English Proficient (LEP) Student Program | 84.365 | 14346 | 285,728 |
| Title IX, Part A, McKinney-Vento Homeless Assistance Grants | 84.196 | 14332 | 70,157 |
| Title I Basic Grants Low Income & Neg. | 84.010 | 14329 | <u>1,707,230</u> |
| Special Education Cluster (IDEA): | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | 1,925,729 |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 26,936 |
| Special Ed: IDEA Mental Health Services, Part B, Sec 611 | 84.027A | 15321 | <u>158,817</u> |
| Subtotal Special Education Cluster (IDEA) | | | <u>2,111,482</u> |
| Total U.S Department of Education | | | <u>4,647,167</u> |
| U.S. Department of Health and Human Services: | | | |
| Passed-Through California Department of Health Services: | | | |
| Medical Assistance Program- Medicaid Cluster | 93.778 | 10013 | <u>217,054</u> |
| Total U.S. Department of Health and Human Services | | | <u>217,054</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 9,859,331</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

| | <u>General Fund</u> |
|--|-------------------------|
| Unaudited Actual Financial Statements ending Fund Balances June 30, 2020 | \$ 23,296,314 |
| Adjustment to correct duplicate receivable | <u>(963,552)</u> |
| Audited Ending Fund Balances, June 30, 2020 | <u>\$ 22,470,617</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, 2020

| <u>Description</u> | <u>First 5 Grant</u> |
|---|----------------------|
| Revenues: | |
| First 5 Sacramento Funds | <u>\$ 281,948</u> |
| Expenditures: | |
| Certificated personnel salaries | 7,040 |
| Classified personnel salaries | 131,139 |
| Employee benefits | 54,775 |
| Books and supplies | 64,720 |
| Services and other operating expenditures | <u>24,274</u> |
| Total Expenditures | <u>281,948</u> |
| Excess of Expenditures over Revenues | <u>\$</u> |

NATOMAS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020.

NATOMAS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

Coronavirus Aid, Relief, and Economic Security (CARES) Act – The District applied for and received federal CARES Act Awards in fiscal year 2020-2021 from the State of California through the State’s 2020-2021 budget appropriation. The State allowed the District to retroactively apply expenditures from their 2019-2020 year-end incurred between March 2020 through June 30, 2020.

Although these expenditures occurred during the June 30, 2020 fiscal year, the District did not have an award from the State of California until the June 30, 2021 fiscal year. Therefore, the following June 30, 2020 fiscal year expenditures will be reported on the District’s Schedule of Expenditures of Federal Awards at June 30, 2021 and subject to the federal single audit at that time:

| <u>Award Description</u> | <u>CFDA</u> | <u>Amount</u> |
|---|-------------|---------------------|
| Coronavirus Relief Fund (CRF) | 21.019 | \$ 2,167,499 |
| Elementary and Secondary School Emergency Relief Fund (ESSER) | 84.425D | <u>200,371</u> |
| Total | | <u>\$ 2,367,870</u> |

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, 2020, 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 7, 2020.

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) as a basis for designing 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 2020-001 to be a significant deficiency.

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 financial statements. 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 2020-2, 2020-3 and 2020-4.

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 7, 2020

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, 2020.

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, 2020.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

December 7, 2020

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, 2020. 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, 2020.

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 7, 2020

**REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH 2019-20 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 *2019-20 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, 2020.

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 *2019-20 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 *2019-20 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 |
| Ratio 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 | Not Applicable |
| 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 | Not Applicable |
| 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 2020-2, 2020-3 and 2020-004 the District did not comply with certain requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts, After/Before School Education and Safety Program (ASES), and Classroom Teacher's Salaries. 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, 2020.

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.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

December 7, 2020

FINDINGS AND RECOMMENDATIONS SECTION

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

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> </u> Yes | <u> X </u> No |
| Significant deficiency(ies) identified? | <u> X </u> Yes | <u> </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

10.555, 10.559
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Basic Grants Low-Income and Neg.

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, 2020

FINANCIAL STATEMENT FINDINGS

2020-001: INTERNAL CONTROL – FINANCIAL CLOSE 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.

Condition:

It was identified that the early retirement incentive offered by the District during the June 30, 2017 fiscal year end had not been reflected in the District's long term liabilities and required an adjustment to the government-wide financial statements in the amount of \$1,465,228. Additionally, a duplicate accounts receivable balance was identified during audit procedures that required an adjustment of \$963,552.

Cause:

The District did not identify that the liability related to the 2017 retirement incentive had been omitted from the government-wide financial statements long-term liabilities. The accounts receivable balance identified as duplicative was related to a grant from a new funding source that fell outside the District's typical categorical tracking and reconciliation methods, and as a result, it was not identified that the activity associated with the award had been inadvertently recorded twice.

Effect:

Adjustments were required to the government-wide and general fund financial statements to correct identified errors.

Recommendation:

We recommend that the District management develop a process to ensure sufficient review is performed during the financial close process to identify significant errors in the fund and government-wide statements.

District's Corrective Action Plan:

In the future, the District will include early retirement incentives as obligations in the long-term debt related transactions and conversion entries. All new grants will be added to categorical tracking to ensure accounts receivable is accurately reflected and balanced to the general ledger.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

STATE COMPLIANCE

2020-002: 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> | | |
| Natomas Park Elementary School | 1 | 9 |

Cause:

For the English Learner error, testing needed to support EL designations were not administered.

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 | 31,023 | 19,849 | (9) | 19,840 | 63.95% | \$18,351 |

Recommendation:

We recommend that the District implement procedures to ensure required tests are administered 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.

NATOMAS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

District's Corrective Action Plan:

The District has already implemented a corrective action plan in reviewing data submitted to CalPADS. Fiscal Services will continue performing internal audits of supporting documentation for free and reduced-price meal eligible applicants and include EL as part of this review. The process has already been changed for data to be taken directly from CALPADS and imported into our student information system for EL status.

2020-003: 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 3 of 50 sampled days.

Effect:

The number of students who were claimed for attendance in 3 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:

This finding has improved since the prior year audit. The District's corrective action plan will continue to be implemented. District staff will continue to meet with program providers to discuss the issues with attendance reporting and provide training. District staff will also continue to use a google tracker to monitor daily attendance with the providers.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

2020-004 CLASSROOM TEACHER SALARIES – CDDC #61000

Criteria:

Education Code Section 41372 (b)(3) – There shall be expended during each fiscal year for payment of salaries of classroom teachers by a unified school district 55 percent of the district's current expense of education.

Condition:

The District did not expend 55 percent of the District's current expense of education for payment of salaries of classroom teachers.

Cause:

The District current teacher salaries and benefits expense of \$64,322,212 represents 54.91% of the District's current expense of education and is deficient by \$105,434.

Effect:

The District was not in compliance with the requirements of Classroom Teacher Salaries.

Questioned Cost:

The financial impact cannot be determined at this time.

Recommendation:

We recommend that the District ensure compliance with the compliance requirement in future years and complete the waiver process with the County Office of Education.

Corrective Action Plan/Management's Response:

The District will research the cause of this exception and determine the root cause and validity. The District will file a waiver with the Sacramento County Office of Education and ensure compliance in the future.

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, 2020

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Recommendation | Current Status | District Explanation If Not Implemented | | | | | | | | | | | | | |
|--|---|---|-------------|------------------------------|--------------------|------------------|--|--|------------------|---|---|-----------------|--|--|---|
| <p>2019-001: INTERNAL CONTROL – LONG-TERM DEBT ACCOUNTING AND RECONCILIATION (3000)</p> <p>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.</p> <p>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.</p> | <p>Partially Implemented – See Finding 2020-001</p> | | | | | | | | | | | | | | |
| <p>2019-002: STATE COMPLIANCE (UNDUPPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS) – CDDC #40000</p> <p>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:</p> <table data-bbox="180 1482 906 1887"> <tr> <th data-bbox="180 1549 477 1585">School Site</th><th data-bbox="509 1482 691 1585">Students Incorrectly Reports</th><th data-bbox="724 1518 906 1585">Extrapolated Error</th></tr> <tr> <td colspan="3" data-bbox="180 1608 285 1640"><u>District:</u></td></tr> <tr> <td data-bbox="180 1661 386 1692">Jefferson School</td><td data-bbox="594 1661 610 1692">1</td><td data-bbox="805 1661 821 1692">5</td></tr> <tr> <td colspan="3" data-bbox="180 1734 285 1766"><u>Charter:</u></td></tr> <tr> <td data-bbox="180 1787 451 1887">Natomas Pacific Pathway Prep Middle School (Charter 1106)</td><td data-bbox="594 1856 610 1887">1</td><td data-bbox="805 1856 821 1887">5</td></tr> </table> | | | School Site | Students Incorrectly Reports | Extrapolated Error | <u>District:</u> | | | Jefferson School | 1 | 5 | <u>Charter:</u> | | | Natomas Pacific Pathway Prep Middle School (Charter 1106) |
| School Site | Students Incorrectly Reports | Extrapolated Error | | | | | | | | | | | | | |
| <u>District:</u> | | | | | | | | | | | | | | | |
| Jefferson School | 1 | 5 | | | | | | | | | | | | | |
| <u>Charter:</u> | | | | | | | | | | | | | | | |
| Natomas Pacific Pathway Prep Middle School (Charter 1106) | 1 | 5 | | | | | | | | | | | | | |

NATOMAS UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

| Recommendation | Current Status | District Explanation If Not Implemented |
|-----------------------|-----------------------|--|
|-----------------------|-----------------------|--|

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:

| School Site | Students Incorrectly Reports | Extrapolated Error |
|--------------------|-------------------------------------|---------------------------|
|--------------------|-------------------------------------|---------------------------|

District:

| | | |
|----------------------------------|---|----|
| 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 |

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.

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

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.

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

Not implemented.
See repeat finding 2020-003.