

**NATOMAS UNIFIED  
SCHOOL DISTRICT**

**COUNTY OF SACRAMENTO  
SACRAMENTO, CALIFORNIA**

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

**YEAR ENDED JUNE 30, 2021**

# 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, 2021, 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 *2020-21 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, 2021, 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 *2020-21 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 8, 2021, 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 the District's internal control over financial reporting and compliance.

*Gilbert CPAs*

**GILBERT CPAs**  
**Sacramento, California**

**December 8, 2021**

## **MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2021**

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, 2021. 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.





## 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.



## 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 2021, the District had 10,407 students that attended traditional (non-charter) schools.
- The average daily attendance (ADA) was based on 2019-20 fiscal year due to a hold harmless for attendance because of the pandemic. The ADA, which much of the District’s revenue is based, was 9,776 (Figure excludes county pass through programs).
- The District’s General Fund ending cash balance for June 30, 2021 was \$41.5 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 unduplicated pupil percentage is 63.13%.



## 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 following table:

**Table 1 – Net Position**

	Government-Wide Statement of Net Position		
	June 30, 2021	June 30, 2020	Change
<b>Assets</b>			
Current and other assets	\$ 265,312,944	\$ 198,643,924	\$ 66,669,020
Capital assets, net of depreciation	549,833,968	482,766,256	67,067,712
<b>Total Assets</b>	<b>815,146,912</b>	<b>681,410,180</b>	<b>133,736,732</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pensions	47,237,469	49,333,591	(2,096,122)
Deferred outflows - related to OPEB	2,653,871	2,877,471	(223,600)
Deferred outflows - refunding of debt	3,270,046	2,152,795	1,117,251
<b>Total Deferred Outflows</b>	<b>53,161,386</b>	<b>54,363,857</b>	<b>(1,202,471)</b>
<b>Liabilities</b>			
Current liabilities	36,653,904	49,812,446	(13,158,542)
Long-term obligations	631,868,070	534,210,450	97,657,620
<b>Total Liabilities</b>	<b>668,521,974</b>	<b>584,022,896</b>	<b>84,499,078</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - related to OPEB	777,550	875,082	(97,532)
Deferred inflows - pensions	8,518,302	14,389,206	(5,870,904)
	<b>9,295,852</b>	<b>15,264,288</b>	<b>(5,968,436)</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	259,143,455	19,413,413	239,730,042
Restricted	208,433,081	150,488,365	57,944,716
Unrestricted	(277,086,064)	(33,414,925)	(243,671,139)
<b>Total Net Position</b>	<b>\$ 190,490,472</b>	<b>\$ 136,486,853</b>	<b>\$ 54,003,619</b>

Total Government Wide Net Position increased by approximately \$54 million during the 2020-21 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 29% to approximately \$281.3 million. General revenues account for 58% of the District's total revenue. The remainder came from fees charged for services and operating grants and contributions.

The total cost of all programs and services increased approximately \$10.5 million to \$227.5 million, of which 71% 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 below:

**Table 2 – Change in Net Position**

	Government-Wide Statement of Activities		
	June 30, 2021	June 30, 2020	Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 8,631,568	\$ 7,020,006	\$ 1,611,562
Operating grants and contributions	61,320,993	38,048,661	23,272,332
Capital grants and contributions	48,347,604	8,485,250	39,862,354
General revenues:			
Taxes levied for general purposes	32,164,990	34,178,816	(2,013,826)
Taxes levied for debt service	25,505,008	24,430,806	1,074,202
Taxes levied for other specific purposes	1,477	3,082	(1,605)
Unrestricted federal and state aid	103,162,800	103,579,749	(416,949)
Interest and investment earnings	1,188,839	1,084,426	104,413
Interagency revenues	445,689	467,657	(21,968)
Other general revenue	611,427	1,146,750	(535,323)
Internal transfers	(5,000)	5,108	(10,108)
<b>Total Revenues</b>	<b>\$ 281,375,395</b>	<b>\$ 218,450,311</b>	<b>\$ 62,925,084</b>
<b>Expenses</b>			
Instruction-related	\$ 142,881,126	\$ 132,047,531	\$ 10,833,595
Student support services	18,317,291	18,145,323	171,968
Administration	15,183,772	18,588,099	(3,404,327)
Maintenance and operations	26,777,307	26,733,055	44,252
Ancillary services	1,377,288	1,289,065	88,223
Community services	86,036	26,355	59,681
Interest on long-term liabilities	14,023,555	14,893,423	(869,868)
Bond issuance costs	2,796,087	180,000	2,616,087
Other Outgo	1,064,807	1,127,914	(63,107)
Depreciation (unallocated)	5,031,541	3,994,177	1,037,364
<b>Total Expenses</b>	<b>\$ 227,538,810</b>	<b>\$ 217,024,942</b>	<b>\$ 10,513,868</b>
<b>Net Position</b>			
Change in net position	53,836,585	1,425,369	52,411,216
Restatement (see Note 1R)	167,034	-	167,034
Net Position, Beginning of the Year	136,486,853	135,061,484	1,425,369
<b>Net Position, End of the Year</b>	<b>\$ 190,490,472</b>	<b>\$ 136,486,853</b>	<b>\$ 54,003,619</b>



## Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities was \$227.5 million and \$217 million for June 30, 2021 and 2020, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$57.6 million and \$58.6 million for June 30, 2021 and 2020, 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	
	2021	2020	2021	2020
Instruction	\$ 121,143,077	\$ 108,008,994	\$ 79,857,803	\$ 78,377,964
Instruction related	21,738,049	24,038,537	18,804,818	20,154,396
Pupil services	18,317,291	18,145,323	5,044,041	10,315,284
Administration	15,183,772	18,588,099	12,690,578	16,615,217
Maintenance and operations	26,777,307	26,733,055	(22,341,618)	24,146,929
Interest on long-term debt	14,023,555	14,893,423	14,023,555	14,893,423
Other	10,355,759	6,617,511	1,159,468	(1,032,188)
<b>Totals</b>	<b>\$ 227,538,810</b>	<b>\$ 217,024,942</b>	<b>\$ 109,238,645</b>	<b>\$ 163,471,025</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, its funds reported a combined fund balance of \$234.8 million, which is a net increase of \$65 million from the prior year.

**Table 4 – Governmental Funds**

	Balances and Activity		
	June 30, 2020	Net Change	June 30, 2021
General	\$ 22,470,617	\$ 12,882,330	\$ 35,352,947
Charter Schools Fund	25,932,380	3,575,413	29,507,793
Building Fund	79,332,534	45,499,925	124,832,459
Capital Facilities Fund	20,611,103	(3,192,417)	17,418,686
Bond Interest and Redemption Fund	20,027,944	2,853,925	22,881,869
All Other Governmental Funds	1,219,940	3,632,205	4,852,145
<b>Total Governmental Funds</b>	<b>\$ 169,594,518</b>	<b>\$ 65,251,381</b>	<b>\$ 234,845,899</b>



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

### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets, net of depreciation, increased approximately \$67 million primarily because of the completion of construction projects.

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

	Governmental Activities		
	2021	2020	Net Change
Land	\$ 73,257,885	\$ 73,257,885	\$ -
Improvement of Sites	9,878,540	10,980,762	(1,102,222)
Buildings	437,319,352	346,309,833	91,009,519
Equipment	3,645,265	5,133,447	(1,488,182)
Construction in Progress	25,732,926	47,084,329	(21,351,403)
<b>Total Capital Assets, net</b>	<b>\$ 549,833,968</b>	<b>\$ 482,766,256</b>	<b>\$ 67,067,712</b>

### Outstanding Debt at Year-End

As illustrated below, total long-term liabilities increased by approximately \$67 million, net. This increase is primarily related to the issuance of General Obligation Bonds. The Certificates of Participation were fully repaid with General Obligation Bonds saving the District approximately \$12 million in interest costs.

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

	Governmental Activities		
	2021	2020	Net Change
General Obligation Bonds	\$ 419,274,720	\$ 286,026,715	\$ 133,248,005
Accreted Interest	481,121	16,177,517	(15,696,396)
Unamortized Premiums on Issuances of GO Bonds	19,873,034	13,234,268	6,638,766
Certificates of Participation	-	56,450,000	(56,450,000)
Early Retirement Incentive	916,319	1,465,228	(548,909)
Compensated Absences	303,871	174,683	129,188
Capital Leases	-	167,091	(167,091)
<b>Total Outstanding Debt</b>	<b>\$ 440,849,065</b>	<b>\$ 373,695,502</b>	<b>\$ 67,153,563</b>



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

As indicated above, school finance is a complex and dynamic process that evolves daily. There are many variables, which impact 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, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 240,271,415	\$ 326,368	\$ 240,597,783
Investments	2,204,164		2,204,164
Accounts receivable	22,702,553	280	22,702,833
Inventories	45,290		45,290
Internal balances	89,522	(89,522)	
Depreciable capital assets (net)	450,843,157		450,843,157
Nondepreciable capital assets	98,990,811		98,990,811
Total assets	<u>815,146,912</u>	<u>237,126</u>	<u>815,384,038</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	47,237,469		47,237,469
Deferred outflows of resources related to OPEB	2,653,871		2,653,871
Deferred amount on debt refunding	3,270,046		3,270,046
Total deferred outflows of resources	<u>53,161,386</u>		<u>53,161,386</u>
<b>LIABILITIES</b>			
Accounts payable	19,008,938	228	19,009,166
Retainage payable	10,364,843		10,364,843
Interest payable	6,186,860		6,186,860
Unearned revenue	1,093,263		1,093,263
Long-term liabilities, due within one year	16,394,378		16,394,378
Due in more than one year:			
Total OPEB liability	24,377,277		24,377,277
Net pension liability	166,641,728		166,641,728
Other long-term liabilities	424,454,687		424,454,687
Total liabilities	<u>668,521,974</u>	<u>228</u>	<u>668,522,202</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to OPEB	777,550		777,550
Deferred inflows of resources related to pensions	8,518,302		8,518,302
Total deferred inflows of resources	9,295,852		9,295,852
<b>NET POSITION</b>			
Net investment in capital assets	259,143,455		259,143,455
Restricted for:			
Capital projects	142,270,789		142,270,789
Debt service	22,881,869		22,881,869
Educational programs	34,467,631		34,467,631
Student Activities	529,898		529,898
Enterprise activities		236,898	236,898
Other purposes (expendable)	8,282,894		8,282,894
Unrestricted	(277,086,064)		(277,086,064)
Total net position	<u>\$ 190,490,472</u>	<u>\$ 236,898</u>	<u>\$ 190,727,370</u>

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



# NATOMAS UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

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	\$ 121,143,077	\$ 95,661	\$ 41,189,528	\$ 85	\$ (79,857,803)		\$ (79,857,803)
Instruction-related services:							
Instructional supervision and administration	6,445,250	11,954	1,797,751		(4,635,545)		(4,635,545)
Instructional library, media and technology	1,173,571	73	5,919		(1,167,579)		(1,167,579)
School site administration	14,119,228	17,474	1,100,060		(13,001,694)		(13,001,694)
Pupil services:							
Pupil transportation	2,131,517		1,726		(2,129,791)		(2,129,791)
Food services	5,863,988	738,394	8,233,278		3,107,684		3,107,684
Other pupil services	10,321,786	1,622	4,298,230		(6,021,934)		(6,021,934)
Plant services	26,777,307	5,649	765,757	48,347,519	22,341,618		22,341,618
Ancillary services	1,377,288		9,185		(1,368,103)		(1,368,103)
Community services	86,036	126	12		(85,898)		(85,898)
General administration:							
Data processing services	2,721,399		319,096		(2,402,303)		(2,402,303)
Other general administration	12,462,373	79,541	2,094,557		(10,288,275)		(10,288,275)
Interest and other charges	14,023,555				(14,023,555)		(14,023,555)
Bond issuance costs	2,796,087				(2,796,087)		(2,796,087)
Other outgo	1,064,807	7,681,074	1,505,894		8,122,161		8,122,161
Depreciation (unallocated)	5,031,541				(5,031,541)		(5,031,541)
Total governmental activities	227,538,810	8,631,568	61,320,993	48,347,604	(109,238,645)		(109,238,645)
Business-type activities:							
Enterprise activities	9,507	163,854				\$ 154,347	154,347
Total	\$ 227,548,317	\$ 8,795,422	\$ 61,320,993	\$ 48,347,604	(109,238,645)	154,347	(109,084,298)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					32,164,990		32,164,990
Taxes levied for debt service					25,505,008		25,505,008
Taxes levied for other specific purposes					1,477		1,477
Federal and state aid not restricted to specific purposes					103,162,800		103,162,800
Interest and investment earnings					1,188,839	612	1,189,451
Interagency revenues					445,689		445,689
Miscellaneous revenue					611,427		611,427
Internal transfers					(5,000)	5,000	
Total general revenues and transfers					163,075,230	5,612	163,080,842
Increase in net position					53,836,585	159,959	53,996,544
Net position, beginning of year, as restated					136,653,887	76,939	136,730,826
Net position - ending					\$ 190,490,472	\$ 236,898	\$ 190,727,370

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2021

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and equivalents	\$ 41,561,304	\$ 28,459,290	\$ 137,417,938	\$ 20,703,057	\$ 12,129,826	\$ 240,271,415
Investments				2,204,164		2,204,164
Accounts receivable	16,689,438	2,584,022	183,883	35,538	3,209,672	22,702,553
Due from other funds	1,325,510	204,225	2,610		10,070,958	11,603,303
Inventories					45,290	45,290
Total assets	<u>\$ 59,576,252</u>	<u>\$ 31,247,537</u>	<u>\$ 137,604,431</u>	<u>\$ 22,942,759</u>	<u>\$ 25,455,746</u>	<u>\$ 276,826,725</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 13,345,007	\$ 779,688	\$ 2,406,616		\$ 2,477,628	\$ 19,008,939
Retainage payable			10,364,843			10,364,843
Due to other funds	10,243,361	591,193	513		678,714	11,513,781
Unearned revenue	634,937	368,863		\$ 60,890	28,573	1,093,263
Total liabilities	<u>24,223,305</u>	<u>1,739,744</u>	<u>12,771,972</u>	<u>60,890</u>	<u>3,184,915</u>	<u>41,980,826</u>
<b>FUND BALANCES</b>						
Nonspendable	35,000	20,000			45,290	100,290
Restricted	7,598,929	28,441,248	124,832,459	22,881,869	24,699,541	208,454,046
Committed	23,471,252					23,471,252
Assigned	138,766	1,046,545			1,364	1,186,675
Unassigned	4,109,000				(2,475,364)	1,633,636
Total fund balances	<u>35,352,947</u>	<u>29,507,793</u>	<u>124,832,459</u>	<u>22,881,869</u>	<u>22,270,831</u>	<u>234,845,899</u>
Total liabilities and fund balances	<u>\$ 59,576,252</u>	<u>\$ 31,247,537</u>	<u>\$ 137,604,431</u>	<u>\$ 22,942,759</u>	<u>\$ 25,455,746</u>	<u>\$ 276,826,725</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, 2021

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Total fund balance, governmental funds	\$ 234,845,899
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is \$709,319,786 and the accumulated depreciation is \$159,485,818:	549,833,968
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(6,186,859)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, are included in governmental activities in the statement of net position as follows:

General obligation bonds	(419,274,720)
Accreted interest	(481,121)
Unamortized premium on issuance of debt	(19,873,034)
Early retirement incentive	(916,319)
Total OPEB liability	(24,377,277)
Compensated absences	(303,871)
Net pension liability	(166,641,728)

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	47,237,469
Deferred outflows of resources resulting from deferred amount on refundings	3,270,046
Deferred outflows of resources related to OPEB	2,653,871
Deferred inflows of resources related to OPEB	(777,550)
Deferred inflows of resources related to pension	<u>(8,518,302)</u>

Total net position, governmental activities	<u>\$ 190,490,472</u>
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# NATOMAS UNIFIED SCHOOL DISTRICT

## STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
State apportionments	\$ 80,246,352	\$ 22,913,332				\$ 103,159,684
Local sources	21,688,420	6,671,010				28,359,430
Total local control funding formula	101,934,772	29,584,342				131,519,114
Federal revenues	18,982,115	1,439,832			\$ 8,333,354	28,755,301
Other state revenues	26,087,511	4,428,882	\$ 48,347,519	\$ 151,165	2,094,965	81,110,042
Other local revenues	1,967,417	1,202,453	446,451	25,422,539	9,355,767	38,394,627
Total revenues	148,971,815	36,655,509	48,793,970	25,573,704	19,784,086	279,779,084
<b>EXPENDITURES</b>						
Current:						
Instruction	90,307,658	21,548,898			1,292,503	113,149,059
Instruction-related services:						
Supervision of instruction	5,863,696				24,677	5,888,373
Instructional library, media and tech	1,041,646					1,041,646
School site administration	7,053,822	5,744,934			197,916	12,996,672
Pupil services:						
Pupil transportation	1,590,386	312,382				1,902,768
Food services	2,150				5,425,751	5,427,901
Other pupil services	7,973,021	1,392,055			16,821	9,381,897
Ancillary services	823,097	60,664			447,121	1,330,882
Enterprise activities	3,780					3,780
Community services	86,036					86,036
General administration:						
Data processing services	2,456,855					2,456,855
Other general administration	7,527,294	685,461			810,547	9,023,302
Plant services	11,112,501	2,315,172			53,619	13,481,292
Debt service:						
Principal				12,478,853		12,478,853
Interest and other charges			78,646	13,791,304		13,869,950
Bond issuance costs			2,796,087	339,772		3,135,859
Capital outlay	46,248	263	76,713,536		11,394,133	88,154,180
Transfers to other agencies	1,064,807					1,064,807
Total expenditures	136,952,997	32,059,829	79,588,269	26,609,929	19,663,088	294,874,112
Excess (deficiency) of revenues over expenditures	12,018,818	4,595,680	(30,794,299)	(1,036,225)	120,998	(15,095,028)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers out	(36,158)	(615,583)			(268,231)	(919,972)
Proceeds from sale of bonds			132,500,000	27,060,000		159,560,000
Premium on bonds issued			2,456,091	5,449,762		7,905,853
Payment to refunded bond escrow agent			(58,661,867)	(28,619,612)		(87,281,479)
Interfund transfers in	883,814				31,158	914,972
Total other financing sources (uses)	847,656	(615,583)	76,294,224	3,890,150	(237,073)	80,179,374
Increase (decrease) in fund balances	12,866,474	3,980,097	45,499,925	2,853,925	(116,075)	65,084,346
Fund balances - beginning, as restated	22,486,473	25,527,696	79,332,534	20,027,944	22,386,906	169,761,553
Fund balances - ending	\$ 35,352,947	\$ 29,507,793	\$ 124,832,459	\$ 22,881,869	\$ 22,270,831	\$ 234,845,899

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, 2021

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Net change in fund balances - total governmental funds:	\$ 65,084,346
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 (\$85,011,867) exceeds depreciation expense (\$17,944,155) in the period.	67,067,712
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.	98,439,184
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.	(167,465,853)
Changes in the liability for compensated absences, early retirement incentives, and accreted interest 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.	606,019
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.	(1,063,321)
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:	2,384,340
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:	(9,241,838)
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>(1,974,004)</u>
Change in net position of governmental activities	<u>\$ 53,836,585</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2021

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### ASSETS

Cash and equivalents	\$ 326,368
Accounts receivable	280
Due from other funds	<u>732</u>
Total assets	<u>327,380</u>

### LIABILITIES

#### Current Liabilities:

Accounts payable	228
Due to other funds	<u>90,254</u>
Total current liabilities	<u>90,482</u>

### NET POSITION

Unrestricted	<u>236,898</u>
Total net position	<u><u>\$ 236,898</u></u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## STATEMENT OF CHANGE IN NET POSITION PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2021

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### OPERATING REVENUES

Charges for services	\$ 163,854
Total operating revenue	<u>163,854</u>

### OPERATING EXPENSES

Enterprise activities	<u>9,507</u>
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Operating income	154,347
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### NON-OPERATING REVENUES

Interest income	612
Operating transfers from other funds	<u>5,000</u>
Total non-operating revenue	<u>5,612</u>

Increase in net position	159,959
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Net position, beginning of year	<u>76,939</u>
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Net position - ending	<u>\$ 236,898</u>
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# NATOMAS UNIFIED SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2021

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### CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from enterprise activities	\$ 167,439
Payments for services	<u>(9,954)</u>
Net cash and equivalents provided by operating activities	<u>157,485</u>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from other funds	5,000
Changes in Due to/from other funds	<u>95,477</u>
Net cash provided by noncapital financing activities	<u>100,477</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>612</u>
Net increase in cash and equivalents	258,574
Cash and equivalents, beginning of year	<u>67,794</u>
Cash and equivalents, end of year	<u>\$ 326,368</u>

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

Operating income	\$ 154,347
Changes in operating assets and liabilities:	
Accounts receivable	3,585
Accounts payable	<u>(447)</u>
Net cash and equivalents provided by operating activities	<u>\$ 157,485</u>



# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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### 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, 2021

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### 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. 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.

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.

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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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.

### 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 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.

**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.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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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, and enterprise 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 **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.

#### 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 **Student Activity Fund** is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported represent the combined totals of all schools within the District.

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.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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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.

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

### 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.

## F. BUDGETS AND BUDGETARY ACCOUNTING

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

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.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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### H. INVESTMENTS

Investments are reported at fair value.

### I. 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, 2021, the District had no prepaid items.

### J. 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.

### K. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

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

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

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.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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### L. 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.

### M. 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.

### N. 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.

### O. 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.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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**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, 2021, the District had a Reserve for Economic Uncertainty of \$4,109,000 in the General Fund's unassigned fund balance which represents 3% of budgeted general fund expenditures and other financing uses. Additionally, the District has two established stabilization arrangements, including one for SELPA. See Note 8 for further details related to the District's fund balance classifications.

### P. 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.

### Q. 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.

### R. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION /FUND BALANCES DUE TO CUMALITVE EFFECT OF CORRECTION OF ERRORS

For the year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. 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. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the activities of the Student Activity Special Revenue fund, which is included within Other Governmental Funds on the fund



# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

financials, which was previously accounted for as a fiduciary fund and the Scholarship Trust Fund within the General, which was also previously accounted for as a fiduciary fund. Beginning net position has been restated as noted below.

During the year ended June 30, 2021, an adjustment to accrue previously unrecorded liabilities was identified during Westlake Charters annual audit that was applicable to the year ended June 30, 2020. Westlake Charter is included in the District's Charter Schools Fund. The effects of the adjustment is noted below in the Charter Schools Fund.

	<b>Government Wide Statements</b>	<b>Fund Financial Statements</b>		
	<b>Governmental Activities</b>	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Other Governmental Funds</b>
Net Position, June 30, 2020, as previously reported	\$ 136,486,853	\$ 22,470,617	\$ 25,932,380	\$ 21,831,044
Change in accounting principles	571,718	15,856		555,862
Recording of accrual	(404,684)		(404,684)	
Net Position, June 30, 2020, as restated	<u>\$ 136,653,887</u>	<u>\$ 22,486,473</u>	<u>\$ 25,527,696</u>	<u>\$ 22,386,906</u>

### S. FUTURE ACCOUNTING PRONOUNCEMENTS

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 this new statement 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, 2021

### 3. CASH AND EQUIVALENTS AND INVESTMENTS

Cash and equivalents at June 30, 2021, are reported at fair value and consisted of the following:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Pooled Funds:		
Cash in County Treasury	\$ 166,339,408	\$ 325,868
Deposits:		
Cash on hand and in banks	542,133	500
Cash in revolving fund	55,000	
Total deposits	597,133	500
Cash awaiting deposit	28,001	
Investments (cash equivalent):		
Cash with Fiscal Agent	73,306,471	
Total cash and equivalents	<u>\$ 240,271,415</u>	<u>\$ 326,368</u>
Investments:		
U.S. Treasury Securities	<u>\$ 2,204,164</u>	<u>\$</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, 2021

### 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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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, 2021, the weighted average maturity of the investments contained in the treasury investment pool is approximately 300 days and the U.S. Treasury Securities mature July 29, 2021.

### 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. The U.S. Treasury Securities investments credit rating by S&P is AA+.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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 \$64,821.

### Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. The County Treasury pooled investments are subject to the fair value requirement; however, they are not subject to the fair value hierarchy. U.S. Treasury Securities of \$2,204,164 are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2021:

	<b>General Fund</b>	<b>Charter School Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Other Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Total Funds</b>
Federal	\$ 6,257,223	\$ 207,027			\$ 2,308,280		\$ 8,772,530
State	4,746,495	957,655			124,537		5,828,687
Other local	5,685,720	1,419,340	\$ 183,883	\$ 35,538	776,855	\$ 280	8,101,616
Totals	<u>\$16,689,438</u>	<u>\$ 2,584,022</u>	<u>\$ 183,883</u>	<u>\$ 35,538</u>	<u>\$ 3,209,672</u>	<u>\$ 280</u>	<u>\$22,702,833</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, 2021

### Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General	\$ 1,325,510	\$ 10,243,361
Charter School	204,225	591,193
Building	2,610	513
Other Governmental Funds:		
Adult Education	17,624	16,793
Child Development	13,354	86,889
Cafeteria	39,980	267,772
Capital Facilities	10,000,000	307,260
Proprietary fund:		
Enterprise Funds	<u>732</u>	<u>90,254</u>
Totals	<u>\$ 11,604,035</u>	<u>\$ 11,604,035</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, 2021 were as follows:

Transfer from the General Fund to the Discovery Café Enterprise Fund to fund initial operation costs	\$ 5,000
Transfer from the General Fund to the Adult Education Fund to help support the program	17,624
Transfer from the General Fund to the Child Care Development Fund to help support the program	13,534
Transfer from the Adult Education Fund to the General Fund to eliminate carryover	5,068
Transfer from the Charter School Fund to the General Fund for MOU fees for special education services	615,583
Transfer from the Capital Facilities Fund to the General Fund for administrative fees	<u>263,163</u>
Total	<u>\$ 919,972</u>

For the fiscal year ended June 30, 2021, the significant and/or non-routine transfer was a temporary borrowing of \$10,000,000 by the General Fund from the Capital Facilities Fund. This transfer was made due to the deferral of State revenue for fiscal year 2020-2021 and will be repaid by no later than November 30, 2021 at an interest rate of 0.04%.

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 6. CAPITAL ASSETS AND DEPRECIATION

A schedule of changes in capital assets for the year ended June 30, 2021 is shown below:

	<u>Balance June 30, 2020</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>
Capital assets, not being depreciated:					
Land	\$ 73,257,885				\$ 73,257,885
Work-in-process	<u>47,084,329</u>	<u>\$(46,950,611)</u>	<u>\$ 25,599,208</u>		<u>25,732,926</u>
Total capital assets, not being depreciated	<u>120,342,214</u>	<u>(46,950,611)</u>	<u>25,599,208</u>		<u>98,990,811</u>
Capital assets, being depreciated:					
Buildings	471,452,917	46,913,682	56,938,290		575,304,889
Improvement of sites	18,587,455	2,000	1,143,401		19,732,856
Equipment	<u>13,925,333</u>	<u>34,929</u>	<u>1,330,968</u>		<u>15,291,230</u>
Total capital assets, being depreciated	<u>503,965,705</u>	<u>46,950,611</u>	<u>59,412,659</u>		<u>610,328,975</u>
Less accumulated depreciation for:					
Buildings	(125,143,084)		(12,842,453)		(137,985,537)
Improvement of sites	(7,606,693)		(2,247,623)		(9,854,316)
Equipment	<u>(8,791,886)</u>		<u>(2,854,079)</u>		<u>(11,645,965)</u>
Total accumulated depreciation	<u>(141,541,663)</u>		<u>(17,944,155)</u>		<u>(159,485,818)</u>
Total capital assets, being depreciated, net	<u>362,424,042</u>	<u>46,950,611</u>	<u>41,468,504</u>		<u>450,843,157</u>
Governmental activities capital assets, net	<u>\$ 482,766,256</u>	<u>\$</u>	<u>\$ 67,067,712</u>	<u>\$</u>	<u>\$549,833,968</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 129,198
Instruction supervision and administration	1,794
Food services	96,898
Other pupil services	105,871
Ancillary services	8,972
Data processing services	82,543
Plant services	12,462,216
Other general administration	25,122
Depreciation (unallocated)	<u>5,031,541</u>
Total depreciation expense	<u>\$ 17,944,155</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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>
2022	\$ 275,000	\$ 8,181	\$ 283,181

##### 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>
2022	\$ 175,461	\$ 245,782	\$ 421,243
2023	164,259	235,339	399,598
	<u>\$ 339,720</u>	<u>\$ 481,121</u>	<u>\$ 820,841</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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>
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	1,665,000	162,500	1,827,500
2027-2028	<u>3,230,000</u>	<u>122,400</u>	<u>3,352,400</u>
	<u>\$ 10,475,000</u>	<u>\$ 1,512,125</u>	<u>\$ 11,987,125</u>

### Refunding bonds, 2013

On July 1, 2013 the District issued 2013 General Obligation Refunding Bonds in the amount of \$27,265,000 to refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,310,000	467,300	2,777,300
2027-2029	<u>9,430,000</u>	<u>632,125</u>	<u>10,062,125</u>
	<u>\$ 19,155,000</u>	<u>\$ 3,899,775</u>	<u>\$ 23,054,775</u>



# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,765,000	1,107,806	5,872,806
2027-2031	28,780,000	2,138,160	30,918,160
	<u>\$ 46,780,000</u>	<u>\$ 9,608,815</u>	<u>\$ 56,388,815</u>

### Series 2015

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,690,000	2,428,825	4,118,825
2027-2031	12,415,000	10,794,407	23,209,407
2032-2036	19,225,000	7,576,283	26,801,283
2037-2041	27,680,000	2,915,197	30,595,197
	<u>\$ 64,650,000</u>	<u>\$ 34,030,287</u>	<u>\$ 98,680,287</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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>
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		1,450,400	1,450,400
2027-2031	1,365,000	7,152,125	8,517,125
2032-2036	6,115,000	6,269,375	12,384,375
2037-2041	12,480,000	4,272,400	16,752,400
2042-2043	14,430,000	591,200	15,021,200
	<u>\$ 35,440,000</u>	<u>\$ 25,563,350</u>	<u>\$ 61,003,350</u>

### Refunding bonds, 2017

In August 2016 the District issued \$32,130,000 of 2017 General Obligation Refunding Bonds to refund a portion of the District's outstanding Election of 2006, Series 2007 General Obligation Bonds and 2008 General Obligation Refunding Bonds and to pay costs of issuing the Refunding Bonds. As of June 30, 2019, no amounts of the refunded bonds were outstanding. The bonds bear interest rate of 5.0% and mature in varying amounts through August 2032 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	125,000	1,291,375	1,416,375
2027-2031	7,110,000	6,134,500	13,244,500
2032-2033	18,655,000	1,155,625	19,810,625
	<u>\$ 26,340,000</u>	<u>\$ 13,805,750</u>	<u>\$ 40,145,750</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		1,597,000	1,597,000
2027-2031	655,000	7,968,625	8,623,625
2032-2036	5,325,000	7,332,275	12,657,275
2037-2041	9,705,000	6,180,675	15,885,675
2042-2046	16,340,000	4,255,500	20,595,500
2047-2050	19,575,000	1,236,975	20,811,975
	<u>\$ 56,260,000</u>	<u>\$ 35,075,550</u>	<u>\$ 91,335,550</u>

### Series 2020

On September 15, 2020, the District issued General Obligation Bonds, Election of 2014, Series 2020 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 Series 2020. The bonds bear interest rates from 2.0% 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>
2022	\$ 170,000	\$ 575,300	\$ 745,300
2023		571,050	571,050
2024		571,050	571,050
2025		571,050	571,050
2026	115,000	568,750	683,750
2027-2031	1,375,000	2,717,150	4,092,150
2032-2036	3,150,000	2,373,450	5,523,450
2037-2041	5,895,000	1,898,450	7,793,450
2042-2043	9,795,000	303,825	10,098,825
	<u>\$ 20,500,000</u>	<u>\$ 10,150,075</u>	<u>\$ 30,650,075</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### Series 2020A

On September 15, 2020, the District issued General Obligation Bonds, Election 2018, Series 2020A 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 2020A Bonds. The bonds bear interest rates from 2.25% to 4.0% and mature in varying amounts through August 2049 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022		\$ 1,973,512	\$ 1,973,512
2023		1,973,512	1,973,512
2024		1,973,512	1,973,512
2025		1,973,512	1,973,512
2026		1,973,512	1,973,512
2027-2031		9,867,561	9,867,561
2032-2036		9,867,565	9,867,565
2037-2041		9,867,565	9,867,565
2042-2046	\$ 15,240,000	9,163,162	24,403,162
2047-2050	<u>37,740,000</u>	<u>3,104,556</u>	<u>40,844,556</u>
	<u>\$ 52,980,000</u>	<u>\$ 51,737,969</u>	<u>\$ 104,717,969</u>

### Series 2020B

On September 15, 2020, the District issued Taxable General Obligation Bonds, Election of 2018, Series 2020B in the amount of \$59,020,000 to defease and advance refund 2019 certificates of participation previously issued by the District and pay certain costs of issuance of the Series 2020B Bonds. The District completed the refunding to reduce debt service payments by \$3,240,968 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$5,609,417 in aggregate. The District defeased the 2019 certificates of participation by placing proceeds of the Series 2020B in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the defeased certificates of participation are not included in the Statement of Net Position. The bonds bear interest rates from 0.70% to 3.00% and mature in varying amounts through August 2044 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022		\$ 1,484,990	\$ 1,484,990
2023	\$ 920,000	1,481,770	2,401,770
2024	250,000	1,477,550	1,727,550
2025	350,000	1,474,888	1,824,888
2026	600,000	1,469,925	2,069,925
2027-2031	6,650,000	7,107,688	13,757,688
2032-2036	11,600,000	6,225,475	17,825,475
2037-2041	20,800,000	4,176,925	24,976,925
2042-2045	<u>17,850,000</u>	<u>896,625</u>	<u>18,746,625</u>
	<u>\$ 59,020,000</u>	<u>\$ 25,795,836</u>	<u>\$ 84,815,836</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### Refunding bonds, 2020

On September 15, 2020, the District issued 2020 General Obligation Refunding Bonds (Refunding Bonds) in the amount of \$27,060,000 to currently refund certain Series 2007 outstanding general obligation bonds of the District and pay certain costs of issuance of the Refunding Bonds. The District completed the refunding to reduce debt service payments by \$7,405,623 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$7,025,132 in aggregate. The bonds bear interest rates from 0.05% to 5.0% and mature in varying amounts through August 2029 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,450,000	\$ 767,443	\$ 3,217,443
2023	1,965,000	657,067	2,622,067
2024	2,290,000	550,693	2,840,693
2025	2,625,000	427,817	3,052,817
2026	3,015,000	286,818	3,301,818
2027-2030	<u>14,715,000</u>	<u>153,308</u>	<u>14,868,308</u>
	<u>\$ 27,060,000</u>	<u>\$ 2,843,146</u>	<u>\$ 29,903,146</u>

### Capital Lease Payable

The District leased furniture and equipment under long-term lease purchase agreements with capitalized value of \$385,893 and accumulated depreciation of zero. During the fiscal year ended June 30, 2021, the remaining balances on these capital leases were paid and no future payments remain.

### 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, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2022	\$ 548,909
2023	122,470
2024	122,470
2025	<u>122,470</u>
Totals	<u>\$ 916,319</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2021 is shown below:

	<b><u>Balance</u></b> <b><u>June 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2021</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
General Obligation					
Bonds	\$ 286,026,715	\$ 159,560,000	\$ (26,311,995)	\$ 419,274,720	\$ 14,300,461
Certificates of					
Participation	56,450,000		(56,450,000)		
Accreted interest	16,177,517	45,396	(15,741,792)	481,121	249,539
Premium on issuance					
of debt	13,234,268	7,905,853	(1,267,087)	19,873,034	1,295,469
Early retirement					
incentive	1,465,228		(548,909)	916,319	548,909
Capital lease payable	167,091		(167,091)		
Compensated absences	174,683	129,188		303,871	
Total	<b><u>\$ 373,695,502</u></b>	<b><u>\$ 167,640,437</u></b>	<b><u>\$ (100,486,874)</u></b>	<b><u>\$ 440,849,065</u></b>	<b><u>\$ 16,394,378</u></b>

Accreted interest of \$481,121 at June 30, 2021 was originated from 2004B Capital Appreciation Bonds.

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, 2021

### 8. FUND BALANCES

Fund balances, by category, at June 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Charter Schools Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Revolving cash fund	\$ 35,000	\$ 20,000				\$ 55,000
Inventory					\$ 45,290	45,290
Subtotal nonspendable	<u>35,000</u>	<u>20,000</u>			<u>45,290</u>	<u>100,290</u>
Restricted:						
Legally restricted programs	7,577,964	28,441,248			6,731,313	42,750,525
Foundation	20,965					20,965
Student Activities					529,898	529,898
Capital projects			\$124,832,459		17,438,330	142,270,789
Debt service				\$22,881,869		22,881,869
Subtotal restricted	<u>7,598,929</u>	<u>28,441,248</u>	<u>124,832,459</u>	<u>22,881,869</u>	<u>24,699,541</u>	<u>208,454,046</u>
Committed:						
Stabilization arrangement	15,730,534					15,730,534
Other commitments:						
PARS	2,298,402					2,298,402
Pandemic Relief Staffing	2,400,000					2,400,000
Textbooks	1,647,316					1,647,316
Athletic fields	200,000					200,000
Diversity Recruitment/ Aspiring Teachers	695,000					695,000
SELPA stabilization	500,000					500,000
Subtotal committed	<u>23,471,252</u>					<u>23,471,252</u>
Assigned:						
OPEB reserve	138,766					138,766
Instructional materials		1,046,545				1,046,545
Child development operations					1,364	1,364
Subtotal assigned	<u>138,766</u>	<u>1,046,545</u>			<u>1,364</u>	<u>1,186,675</u>
Unassigned:						
Designated for economic uncertainty	4,109,000					4,109,000
Unassigned					(2,475,364)	(2,475,364)
Subtotal unassigned	<u>4,109,000</u>				<u>(2,475,364)</u>	<u>1,633,636</u>
Total fund balances	<u>\$35,352,947</u>	<u>\$ 29,507,793</u>	<u>\$124,832,459</u>	<u>\$22,881,869</u>	<u>\$ 22,270,831</u>	<u>\$ 234,845,899</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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### 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](http://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 16.92% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2021, was 16.15% of annual pay. District contributions to the CalSTRS Plan were \$11,490,876 for the year ended June 30, 2021.

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 2020-21. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2020, was 10.328% of the District's 2014-15 creditable CalSTRS compensation.

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. California Assembly Bill 84, Chapter 16, Statutes of



# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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2020, (AB 84) was signed into law June 29, 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed \$1,600,000,000 originally allocated by SB 90 to the CalSTRS Defined Benefit Program to further supplant employer contributions through fiscal year 2021-22. SB 90 and AB 84 will appropriate contributions for the 2020-21 and 2021-22 fiscal years, such that it will result in school employers having to contribute 2.95 percentage points less than the statutory rate in the 2020-21 fiscal year and 2.18 percentage points less in the 2021-22 fiscal year, as specified.

### 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, 2019, and rolling forward the total pension liability to the measurement date of June 30, 2020. 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 <sup>(1)</sup>	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

<sup>(1)</sup> 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 law as described above under contributions. 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 January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term * Expected Real Rate of Return</b>
Global Equity	42.00%	4.80%
Fixed Income	12.00%	1.30%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	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](http://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, 2021

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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, 2021, was 20.70% of annual pay. District contributions to the CalPERS Plan were \$5,113,481 for the year ended June 30, 2021.

### Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 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 <sup>(1)</sup>	Varies
Investment Rate of Return	7.15%
Mortality <sup>(2)</sup>	CalPERS' Membership Data
Post-Retirement Benefit Increase <sup>(3)</sup>	Up to 2.50%

<sup>(1)</sup> Varies by entry age and service

<sup>(2)</sup> 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.

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

All other actuarial assumptions used in the June 30, 2019 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, 2021

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.

<b>Asset Class<sup>(a)</sup></b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 – 10<sup>(b)</sup></b>	<b>Real Return Years 11+<sup>(c)</sup></b>
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%		

<sup>(a)</sup> 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.

<sup>(b)</sup> An expected inflation of 2.00% was used for this period.

<sup>(c)</sup> 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, 2021, 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	\$ 116,290,800
CalPERS Plan	50,350,928
Total District net pension liability	166,641,728
State's proportionate share of CalSTRS net pension liability associated with the District	59,925,068
Total	\$ 226,566,796

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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, 2020, 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, 2020, was .1200% and .1614% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.0020%, and of 0.0027%, from its proportion measured as of June 30, 2019 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2020, the District recognized pension expense of \$34,229,295 and revenue of \$8,383,100 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,702,451	\$ (3,279,600)
Changes in assumptions	11,524,639	
Changes in proportion	12,213,915	(5,238,702)
Change in proportionate share of contributions	381,561	
Net differences between projected and actual investment earnings of pension plan investments	3,810,546	
District contributions subsequent to measurement date	16,604,357	
Total	<u>\$ 47,237,469</u>	<u>\$ (8,518,302)</u>

The \$16,604,357 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, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	
2022	\$ 4,586,020
2023	6,224,478
2024	6,845,071
2025	2,607,355
2026	1,568,057
Thereafter	283,829

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### **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:

	<b><u>Discount Rate – 1% (6.10%)</u></b>	<b><u>Current Discount Rate (7.10%)</u></b>	<b><u>Discount Rate +1% (8.10%)</u></b>
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 175,699,200	\$ 116,290,800	\$ 67,240,800
	<b><u>Discount Rate – 1% (6.15%)</u></b>	<b><u>Current Discount Rate (7.15%)</u></b>	<b><u>Discount Rate +1% (8.15%)</u></b>
District's proportionate share of the CalPERS Plan's net pension liability	\$ 72,388,640	\$ 50,350,928	\$ 32,060,732

### **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, 2021, 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, 2021

### 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 &amp; 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, 2019:

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

### Contributions

California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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 \$718,823 for the year ended June 30, 2021. 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, 2021 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 \$24,377,277 was based on an actuarial valuation as of June 30, 2019 and a measurement date of June 30, 2021. The results of the June 30, 2019 actuarial valuation were rolled forward to the June 30, 2021 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	2.16%, 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	2020 CalSTRS Mortality Tables

### Changes in Assumptions

During the measurement period ending June 30, 2021, the interest assumption changed from 2.20% to 2.16%.

### Changes in the Total OPEB Liability

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

	<b>Total OPEB Liability (TOL)</b>
Balance at June 30, 2020	<u>\$ 22,529,341</u>
Changes recognized for the measurement period:	
Service cost	1,927,620
Interest on TOL	526,021
Changes of assumptions	113,118
Benefit payments, including implicit subsidy	<u>(718,823)</u>
Net changes	<u>1,847,936</u>
Balance at June 30, 2021	<u>\$ 24,377,277</u>



# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 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:

	<b>Discount Rate -1% (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>Discount Rate +1% (3.16%)</b>
Total OPEB liability	\$ 27,506,208	\$ 24,377,277	\$ 21,768,021

### 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:

	<b>Health Care Trend Rate -1% (3.00%)</b>	<b>Health Care Trend Rate (4.00%)</b>	<b>Health Care Trend Rate +1% (5.00%)</b>
Total OPEB liability	\$ 20,311,594	\$ 24,377,277	\$ 29,653,277

### OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,692,827.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 2,653,871	
Differences between expected and actual experience		\$ (777,550)
Total	<u>\$ 2,653,871</u>	<u>\$ (777,550)</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

<b>Year Ended June 30</b>	
2022	\$ 239,186
2023	239,186
2024	239,186
2025	239,186
2026	239,186
Thereafter	680,391

### 11. JOINT VENTURES (Joint Powers Agreements)

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

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

Condensed audited financial information of SIA is as follows:

	<b>SIA June 30, 2021</b>
Total Assets	\$ 217,113,543
Total Deferred Outflows of Resources	1,855,968
Total Liabilities	(87,859,871)
Total Deferred Inflows of Resources	<u>(751,640)</u>
Total Net Position	<u>\$ 130,358,000</u>
Total Revenues	\$ 73,201,625
Total Expenses	<u>(57,783,763)</u>
Increase in Net Position	<u>\$ 15,417,862</u>

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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### 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, 2021, the District had commitments for capital construction projects totaling approximately \$127 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, 2021, the District made the second and third required payment totaling \$2,650,000 each and has a remaining commitment to transfer \$2,650,000 to the City.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# NATOMAS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2021

	<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>
<b>REVENUES</b>				
State apportionments	\$ 75,189,012	\$ 81,568,099	\$ 80,246,352	\$ (1,321,747)
Local sources	<u>19,266,661</u>	<u>21,009,202</u>	<u>21,688,420</u>	<u>679,218</u>
Total local control funding formula	94,455,673	102,577,301	101,934,772	(642,529)
Federal revenues	6,499,872	16,176,070	18,982,115	2,806,045
Other state revenues	17,494,275	18,758,729	26,087,511	7,328,782
Other local revenues	<u>1,905,366</u>	<u>2,471,452</u>	<u>1,967,417</u>	<u>(504,035)</u>
Total revenues	<u>120,355,186</u>	<u>139,983,552</u>	<u>148,971,815</u>	<u>8,988,263</u>
<b>EXPENDITURES</b>				
Certificated personnel salaries	53,752,694	56,626,839	57,474,874	(848,035)
Classified personnel salaries	21,164,628	22,247,685	22,685,580	(437,895)
Employee benefits	29,324,640	30,182,564	29,942,817	239,747
Books and supplies	4,103,232	6,572,276	6,850,036	(277,760)
Services and other operating expenditures	13,223,686	21,843,504	19,159,264	2,684,240
Capital outlay	336,667	1,219,738	144,753	1,074,985
Other outgo	1,359,493	1,359,493	785,644	573,849
Allocation of indirect costs	<u>(254,356)</u>	<u>(254,356)</u>	<u>(89,971)</u>	<u>(164,385)</u>
Total expenditures	<u>123,010,684</u>	<u>139,797,743</u>	<u>136,952,997</u>	<u>2,844,746</u>
Excess (deficiency) of revenues over expenditures	<u>(2,655,498)</u>	<u>185,809</u>	<u>12,018,818</u>	<u>11,833,009</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	(50,000)	(55,000)	(36,158)	18,842
Interfund transfers in	<u>768,166</u>	<u>770,651</u>	<u>883,814</u>	<u>113,163</u>
Total other financing uses	<u>718,166</u>	<u>715,651</u>	<u>847,656</u>	<u>132,005</u>
Net increase (decrease) in fund balance	(1,937,332)	901,460	12,866,474	11,965,014
Fund balances - beginning, as restated	<u>22,486,473</u>	<u>22,486,473</u>	<u>22,486,473</u>	
Fund balance – ending	<u>\$ 20,549,141</u>	<u>\$ 23,387,933</u>	<u>\$ 35,352,947</u>	<u>\$ 11,965,014</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE CHARTER SCHOOL FUND YEAR ENDED JUNE 30, 2021

	<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>
<b>REVENUES</b>				
State apportionments	\$ 22,210,394	\$ 23,208,146	\$ 22,913,332	\$ (294,814)
Local sources	<u>5,940,177</u>	<u>6,546,231</u>	<u>6,671,010</u>	<u>124,779</u>
Total local control funding formula	28,150,571	29,754,377	29,584,342	(170,035)
Federal revenues	130,000	1,590,134	1,439,832	(150,302)
Other state revenues	2,310,283	2,553,356	4,428,882	1,875,526
Other local revenues	<u>1,254,464</u>	<u>1,264,110</u>	<u>1,202,453</u>	<u>(61,657)</u>
Total revenues	<u>31,845,318</u>	<u>35,161,977</u>	<u>36,655,509</u>	<u>1,493,532</u>
<b>EXPENDITURES</b>				
Certificated personnel salaries	16,054,674	16,409,568	16,245,867	163,701
Classified personnel salaries	2,766,579	2,738,954	2,643,617	95,337
Employee benefits	7,308,527	7,353,125	7,170,914	182,211
Books and supplies	1,535,593	2,174,936	2,014,003	160,933
Services and other operating expenditures	4,484,749	5,216,570	3,985,165	1,231,405
Capital outlay	2,000	2,000	263	1,737
Other outgo	<u>53,040</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>32,205,162</u>	<u>33,895,153</u>	<u>32,059,829</u>	<u>1,835,324</u>
Excess (deficiency) of revenues over expenditures	(359,844)	1,266,824	4,595,680	3,328,856
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers out	(618,166)	(615,583)	(615,583)	
Interfund transfers in	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources	<u>(618,166)</u>	<u>(615,583)</u>	<u>(615,583)</u>	<u>          </u>
Net increase (decrease) in fund balance	(978,010)	651,241	3,980,097	3,328,856
Fund balances - beginning, as restated	<u>25,527,696</u>	<u>25,527,696</u>	<u>25,527,696</u>	<u>          </u>
Fund balance – ending	<u>\$ 24,549,686</u>	<u>\$ 26,178,937</u>	<u>\$ 29,507,793</u>	<u>\$ 3,328,856</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS YEAR ENDED JUNE 30, 2021 LAST 10 YEARS\*

	Measurement Date			
	2021	2020	2019	2018
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 1,927,620	\$ 1,610,236	\$ 850,059	\$ 825,300
Interest	526,021	677,517	664,032	639,702
Experience (Gains)/Losses		(962,942)	(10,909)	
Changes of assumptions	113,118	3,019,651	206,666	
Benefit payments	<u>(718,823)</u>	<u>(714,884)</u>	<u>(821,641)</u>	<u>(795,274)</u>
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	1,847,936	3,629,578	888,207	669,728
<b>TOTAL OPEB LIABILITY, Beginning</b>	<u>22,529,341</u>	<u>18,899,763</u>	<u>18,011,556</u>	<u>17,341,828</u>
<b>TOTAL OPEB LIABILITY, Ending</b>	<u>\$ 24,377,277</u>	<u>\$ 22,529,341</u>	<u>\$ 18,899,763</u>	<u>\$ 18,011,556</u>
Covered-employee payroll	\$ 78,059,351	\$ 74,044,885	\$ 61,558,383	\$ 59,765,420
District's total OPEB liability as a percentage of covered-employee payroll	31%	30%	31%	30%

### Notes to Schedule:

There were no changes to benefit terms during the measurement periods ended June 30, 2018, 2019, 2020 and 2021. There were no changes to the actuarial assumptions during the measurement period ended June 30, 2018. For the measurement periods ended June 30, 2019, 2020, and 2021, the discount rates decreased from 3.6% to 3.5%, from 3.5% to 2.20%, and from 2.20% to 2.16%, respectively.

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2021 LAST 10 YEARS\*

	CalSTRS Plan						
	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
	Measurement date 2020	Measurement date 2019	Measurement date 2018	Measurement date 2017	Measurement date 2016	Measurement date 2015	Measurement date 2014
District's proportion of the net pension liability	0.120%	0.118%	0.106%	0.116%	0.117%	0.119%	0.107%
District's proportionate share of the net pension liability	\$ 116,290,800	\$ 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	59,925,068	57,973,377	55,830,460	63,380,000	53,885,000	42,340,000	37,700,000
Total	\$ 176,215,868	\$ 164,546,257	\$ 153,251,880	\$ 170,514,000	\$ 148,531,000	\$ 122,395,000	\$ 100,133,000
District's covered-employee payroll	\$ 65,964,751	\$ 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	176%	166%	169%	174%	162%	145%	117%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%

### Notes to Schedule:

**Change of benefit terms** – For the measurement date ended June 30, 2020, 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, 2020, 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 seven years are shown.



# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2021 LAST 10 YEARS\*

CalPERS School Pool Plan							
	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
	Measurement date 2020	Measurement date 2019	Measurement date 2018	Measurement date 2017	Measurement date 2016	Measurement date 2015	Measurement date 2014
District's proportion of the net pension liability	0.1641%	0.1614%	0.1524%	0.1580%	0.1550%	0.1520%	0.1380%
District's proportionate share of the net pension liability	\$ 50,350,928	\$ 47,052,228	\$ 40,639,971	\$ 37,697,000	\$ 30,547,000	\$ 22,346,000	\$ 15,682,000
District's covered-employee payroll	\$ 23,886,014	\$ 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	211%	208%	200%	187%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

### Notes to Schedule:

**Change of benefit terms** – For the measurement date ended June 30, 2020, 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, 2020, 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 seven years are shown.

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS YEAR ENDED JUNE 30, 2021 LAST 10 YEARS\*

	CalSTRS Plan						
	Fiscal Year						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 11,490,876	\$ 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>(11,490,876)</u>	<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>	<u>\$</u>
District's covered-employee payroll	\$ 71,313,942	\$ 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	16.11%	17.09%	16.20%	14.43%	13.51%	10.73%	8.88%

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS YEAR ENDED JUNE 30, 2021 LAST 10 YEARS\*

CalPERS School Pool Plan							
	Fiscal Year						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 5,113,481	\$ 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>(5,113,481)</u>	<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>	<u>\$</u>
District's covered-employee payroll	\$ 24,668,401	\$ 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	20.73%	19.65%	18.11%	15.53%	13.87%	11.85%	11.77%

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

## **SUPPLEMENTARY INFORMATION SECTION**

# NATOMAS UNIFIED SCHOOL DISTRICT

## ORGANIZATION JUNE 30, 2021

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Natomas Unified School District, a political subdivision of the State of California, was established in 1950 and Unified on July 1, 1993. The District is located in Sacramento County, and currently operates 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>
Susan Heredia	President	2024
Micah Grant	Vice President	2024
Jag Bains	Clerk	2022
Ericka Harden	Member	2024
Lisa Kaplan	Member	2022

### ADMINISTRATION

Chris Evans  
Superintendent

Javetta Cleveland  
Deputy Superintendent

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2021

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2021

<b>Grade Level</b>	<b>Number of Instructional Days Offered</b>	<b>Required Number of Instructional Days</b>	<b>Status</b>
<b>DISTRICT</b>			
Kindergarten	180	180	In Compliance
Grade 1	180	180	In Compliance
Grade 2	180	180	In Compliance
Grade 3	180	180	In Compliance
Grade 4	180	180	In Compliance
Grade 5	180	180	In Compliance
Grade 6	180	180	In Compliance
Grade 7	180	180	In Compliance
Grade 8	180	180	In Compliance
Grade 9	180	180	In Compliance
Grade 10	180	180	In Compliance
Grade 11	180	180	In Compliance
Grade 12	180	180	In Compliance
<b>NATOMAS PACIFIC PATHWAYS PREP ELEMENTARY SCHOOL</b>			
Kindergarten	175	175	In Compliance
Grade 1	175	175	In Compliance
Grade 2	175	175	In Compliance
Grade 3	175	175	In Compliance
Grade 4	175	175	In Compliance
Grade 5	175	175	In Compliance
<b>NATOMAS PACIFIC PATHWAYS PREP MIDDLE SCHOOL</b>			
Grade 6	177	175	In Compliance
Grade 7	177	175	In Compliance
Grade 8	177	175	In Compliance
<b>NATOMAS PACIFIC PATHWAYS PREP HIGH SCHOOL</b>			
Grade 9	177	175	In Compliance
Grade 10	177	175	In Compliance
Grade 11	177	175	In Compliance
Grade 12	177	175	In Compliance

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2021

---

<u>Grade Level</u>	<u>Number of Instructional Days Offered</u>	<u>Required Number of Instructional Days</u>	<u>Status</u>
<b>WESTLAKE CHARTER SCHOOL</b>			
Kindergarten	180	175	In Compliance
Grade 1	180	175	In Compliance
Grade 2	180	175	In Compliance
Grade 3	180	175	In Compliance
Grade 4	180	175	In Compliance
Grade 5	180	175	In Compliance
Grade 6	180	175	In Compliance
Grade 7	180	175	In Compliance
Grade 8	180	175	In Compliance
<b>LEROY GREEN ACADEMY</b>			
Grade 6	180	175	In Compliance
Grade 7	180	175	In Compliance
Grade 8	180	175	In Compliance
Grade 9	180	175	In Compliance



**NATOMAS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2021**

<b>GENERAL FUND</b>				
	<b>June Adopted Budget 2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenues and other financial sources	\$ 142,127,170	\$ 149,855,629	\$ 131,689,066	\$ 124,918,032
Expenditures	142,476,766	136,952,997	129,396,007	125,682,923
Other uses and transfers out	50,000	36,158	187,557	133,061
Total outgo	142,526,766	136,989,155	129,583,564	125,815,984
Change in fund balance	(399,596)	12,866,474	2,105,502	(897,952)
Ending fund balance	\$ 34,953,351	\$ 35,352,947	\$ 22,470,617	\$ 20,365,115
Available reserves <sup>(1)</sup>	\$ 4,275,000	\$ 4,109,000	\$ 522,579	\$ 3,906,354
Designated for economic uncertainties	\$ 4,275,000	\$ 4,109,000	\$ 522,579	\$ 3,771,000
Unassigned fund balance	\$	\$	\$	\$ 135,354
Available reserves as a percentage of total outgo	3.0%	3.0%	0.4%	3.1%
Total long-term debt	\$ 615,473,692	\$ 631,868,070	\$ 478,002,221	\$ 478,002,221
Average daily attendance at P-2	9,812	10,009	10,009	9,759

<sup>(1)</sup> 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 \$14,987,832 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$399,596. 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 one of the past three years, and anticipates generating an operating deficit during the 2021-22 fiscal year. Total long-term debt has increased by \$153,865,849 over the past two years.

Average daily attendance has increased by 250 over the past two years. ADA is anticipated to decrease by 197 during fiscal year 2021-22.

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	PCA Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13523	\$ 2,730,452
Child Nutrition: School Programs - Commodities	10.555	N/A	107,827
Child Nutrition: Summer Food Service Program Operations	10.559	13004	4,836,965
Subtotal Child Nutrition Cluster			<u>7,675,244</u>
<b>Total U.S. Department of Agriculture</b>			<u>7,675,244</u>
<b>U.S. Department of Education:</b>			
Passed-Through CDE:			
Title IV, Part A, Student Support and Academic Enrichment Grant Program	84.424	15396	129,105
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	83,803
IDEA Early Intervention Grants	84.181	23761	26,187
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	340,612
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	237,072
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	65,071
Title I Basic Grants Low Income & Neg.	84.010	14329	1,644,747
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,965,726
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	27,231
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	15321	142,698
Subtotal Special Education Cluster (IDEA)			<u>2,135,655</u>
Education Stabilization Fund (ESF):			
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	15517	625,823
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER )	84.425D	15536	1,515,287
COVID-19 ESSER Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425D	15535	558,334
COVID-19 Elementary and Secondary School Emergency Relief II Fund (ESSER II)	84.425D	15547	4,334,823

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	PCA Number	Federal Expenditures
COVID-19 Elementary and Secondary School Emergency Relief III Fund (ESSER III)	84.425U	15559	169,837
COVID-19 Elementary and Secondary School Emergency Relief III Fund: Learning Loss (ESSER III)	84.425U	10155	43,521
Subtotal Education Stabilization Fund (ESF)			<u>7,247,625</u>
<b>Total U.S Department of Education</b>			<u>11,909,877</u>
<b>U.S. Treasury</b>			
Passed-Through CDE:			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	8,538,566
Passed Through City of Sacramento:			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	N/A	500,000
Subtotal Coronavirus Relief Fund (CRF)			<u>9,038,566</u>
<b>Total U.S. Treasury</b>			<u>9,038,566</u>
<b>U.S. Department of Health and Human Services:</b>			
Passed-Through CDE:			
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act CCDF Cluster	93.575	15555	99,776
Passed-Through California Department of Health Services:			
Medical Assistance Program- Medicaid Cluster	93.778	10013	31,838
<b>Total U.S. Department of Health and Human Services</b>			<u>131,614</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 28,755,301</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FUND FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Scholarship Trust Fund</u>
Unaudited Actual Financial Statements ending Fund Balances June 30, 2021	\$ 35,331,982	\$ 133,082,837	\$ 20,670,054	\$ 20,965
Adjustment to reduce overstated cash with fiscal agent and bond premiums		(3,550,378)		
Adjustment to reduce deferred revenue and to recognize bond premium revenue			2,211,815	
Adjustment to reduce cash with fiscal agent and revenue to correct drawdown posted incorrectly		(4,700,000)		
Adjustment to transfer Scholarship Trust Fund balance and activity to General Fund due to implementation of GASB 84	<u>20,965</u>			<u>(20,965)</u>
Audited Ending Fund Balances, June 30, 2021	<u>\$ 35,352,947</u>	<u>\$ 124,832,459</u>	<u>\$ 22,881,869</u>	<u>\$</u>

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES YEAR ENDED JUNE 30, 2021

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<u>Description</u>	<u>First 5 Grant</u>
Revenues:	
First 5 Sacramento Funds	<u>\$ 286,659</u>
Expenditures:	
Certificated personnel salaries	34,050
Classified personnel salaries	140,038
Employee benefits	61,653
Books and supplies	26,744
Services and other operating expenditures	<u>24,174</u>
Total Expenditures	<u>286,659</u>
Excess of Expenditures over Revenues	<u>\$</u>

# NATOMAS UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

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### 1. PURPOSE OF SCHEDULES

#### A. 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.

#### B. SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents data as to whether the District complied with the provisions of article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code by grade level.

#### C. 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.

#### D. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2021, 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, 2021.

#### E. 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.

#### F. 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, 2021, 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 8, 2021.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2021-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

**GILBERT CPAs**  
**Sacramento, California**

**December 8, 2021**

## **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, 2021.

#### ***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, 2021.

*Gilbert CPAs*

**GILBERT CPAs  
Sacramento, California**

**December 8, 2021**

## **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, 2021. 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, 2021.

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

*Gilbert CPAs*

**GILBERT CPAs**  
**Sacramento, California**

**December 8, 2021**

**REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN  
ACCORDANCE WITH 2020-21 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 *2020-21 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, 2021.

***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 *2020-21 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 *2020-21 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:

<b>Compliance Requirements</b>	<b>Procedures Performed</b>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
<b>CHARTER SCHOOLS</b>	
Independent Study-Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Not Applicable

***Opinion on State Compliance***

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 the programs identified in the above schedule for the year ended June 30, 2021.

*Gilbert CPAs*

**GILBERT CPAs**  
**Sacramento, California**

**December 8, 2021**

## **FINDINGS AND RECOMMENDATIONS SECTION**



# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

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### 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>      </u> Yes	<u>  X  </u> None Reported

Noncompliance material to financial statements noted?        Yes   X   No

#### *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs

#### CFDA Numbers

21.019  
84.425C, 84.425D, 84.425U

#### Name of Federal Program or Cluster

COVID-19 Coronavirus Relief Fund  
COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$862,659

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>      </u> Yes	<u>  X  </u> None Reported

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

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

# NATOMAS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

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### FINANCIAL STATEMENT FINDINGS

#### 2021-001: 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:**

Errors in the District's financials related to the recording of long-term debt transactions in the Building Fund and Bond Interest and Redemption Fund financial statements affecting balances at June 30, 2021, were detected during the audit. These identified errors resulted in adjustments to cash with fiscal agent, revenue, and deferred revenue. Additionally, audit procedures identified that cash with fiscal agent in the Building Fund was overstated due to an error in the County Office of Education's recording of drawdowns to the account.

**Cause:**

The District's review process did not identify errors in the accounting for debt transactions and cash with fiscal agent accounts.

**Effect:**

The following adjustments were required to the Building Fund:

- Other financing sources and cash with fiscal agent in the Building Fund were reduced by \$3,550,378 as it was subsequently determined that these premiums had been deposited and recorded to the Bond Interest and Redemption Fund, maintained by the County Treasurer. Other financing sources and cash with fiscal agent were additionally reduced by \$4,700,000 to correct the recording of a drawdown of funds that was posted in error by the County Office of Education.

The following adjustment was required to the Bond Interest and Redemption Fund:

- Deferred revenue was decreased by \$2,211,813 and a net increase in revenue of \$2,211,813 in the Bond Interest and Redemption Fund was required to properly reflect the County Treasurer's recording of debt issuance premiums deposited to the fund to be in accordance with generally accepted accounting principles.

**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 financials, especially related to transactions that are recorded by outside agencies, such as the County Office of Education and County Treasurer. Debt transactions that are infrequent in nature, such as debt issuances, should be reviewed against bond documents and County administered accounts to ensure all related transactions have been recorded

# **NATOMAS UNIFIED SCHOOL DISTRICT**

## **SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021**

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accurately in accordance with GAAP. We additionally recommend that in addition to reconciliations that are already performed during their close process, the cash with fiscal agent accounts be reviewed against County Treasurer statements to ensure activity is accurate.

### **District's Corrective Action Plan:**

The recording of debt transactions are infrequent in nature. The tax collection funds collected as part of the sale of the bonds were inadvertently posted to the Building Fund when these transactions had been already posted by the County Office of Education in the Bond Interest and Redemption Fund. The County Office of Education (COE) posted a drawdown of funds to the incorrect account and therefore, went unnoticed by the District until after closing of the books. The cash with fiscal agent account was analyzed and reviewed in detail prior to closing of the books. The District will make the recommended corrective entries and work closely with the COE to ensure proper recording of these transactions in the future. The recommended adjustments to the Bond Interest and Redemption Fund in accordance with generally accepted accounting principles will need to be made by the COE. This fund is fully maintained by the COE. These accounting entries do not impact the District's facilities financial plan.

### **STATE COMPLIANCE**

There were no state compliance findings reported.

### **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, 2021

### STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Recommendation	Current Status	District Explanation If Not Implemented			
<p>2020-001: INTERNAL CONTROL – FINANCIAL CLOSE AND RECONCILIATION (3000)</p> <p><b>Condition:</b> 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.</p> <p><b>Recommendation:</b> 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.</p>	<p>No similar adjustments identified in 2021 audit, however, see Finding 2021-001</p>				
<p>2020-002: STATE COMPLIANCE (UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS) – CDDC #40000</p> <p><b>Condition:</b> 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>	<p>Implemented.</p> <p>No items of noncompliance were noted in the 2021 audit.</p>				
<table> <tr> <th data-bbox="191 1514 440 1545">School Site</th><th data-bbox="477 1444 656 1545">Students Incorrectly Reports</th><th data-bbox="693 1476 868 1545">Extrapolated Error</th></tr> </table>	School Site	Students Incorrectly Reports	Extrapolated Error		
School Site	Students Incorrectly Reports	Extrapolated Error			
<p><u>District:</u></p> <p>Natomas Park Elementary School</p>	<p>1</p>	<p>9</p>			
<p><b>Recommendation:</b> 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.</p>					

# NATOMAS UNIFIED SCHOOL DISTRICT

## STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

<b>Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Implemented</b>
<p>2020-003: AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM (ASES) CDDC # 40000</p> <p><b>Condition:</b> 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.</p> <p><b>Recommendation:</b> We recommend that the District adequately train ASES program providers to ensure that reported attendance data is accurate and sufficiently supported.</p>	<p>Implemented.</p> <p>No items of noncompliance were noted in the 2021 audit.</p>	
<p>2020-004 CLASSROOM TEACHER SALARIES – CDDC #61000</p> <p><b>Condition:</b> The District did not expend 55 percent of the District’s current expense of education for payment of salaries of classroom teachers.</p> <p><b>Recommendation:</b> 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.</p>	<p>Implemented.</p> <p>No items of noncompliance were noted in the 2021 audit.</p>	