

NATOMAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2022

NATOMAS UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Natomas Unified School District
Sacramento, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Natomas Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Natomas Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. As a result of this implementation, there was no impact to the beginning governmental activities net position or fund balance, however capital assets, net and long-term liabilities were each increased by \$1,628,711. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Natomas Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Natomas Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Natomas Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 11 and the General Fund Budgetary Comparison Schedule, the Charter Schools Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total OPEB Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 62 to 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Natomas Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of Natomas Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Natomas Unified School 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 Natomas Unified School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 8, 2022

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2022

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, 2022. 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 10,737 students that attended traditional (non-charter) schools.
- The total average daily attendance (ADA), which much of the District's revenue is based, was 10,212 (Figure excludes county pass through programs). This ADA figure represents the funded ADA, which differs from the total reported ADA in the Second Period report of Attendance.
- The District's General Fund ending cash balance for June 30, 2022 was \$53.4 million.
- The District's LCFF base grant was based on the average daily attendance (ADA) by grade level. Grades Kindergarten – 3rd grades at \$8,093/ADA; Grades 4th – 6th at \$8,215/ADA; Grades 7th - 8th grade at \$8,458/ADA; and Grades 9th – 12th at \$9,802/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 was 61.85%.



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, 2022	June 30, 2021	Change
Assets			
Current and other assets	\$ 222,238,144	\$ 265,312,944	\$ (43,074,800)
Capital assets, net of depreciation	604,882,357	549,833,968	55,048,389
Total Assets	827,120,501	815,146,912	11,973,589
Deferred Outflows of Resources			
Deferred outflows - pensions	43,325,339	47,237,469	(3,912,130)
Deferred outflows - related to OPEB	2,598,654	2,653,871	(55,217)
Deferred outflows - refunding of debt	3,065,552	3,270,046	(204,494)
Total Deferred Outflows	48,989,545	53,161,386	(4,171,841)
Liabilities			
Current liabilities	46,524,991	36,653,904	9,871,087
Long-term obligations	532,594,996	631,868,070	(99,273,074)
Total Liabilities	579,119,987	668,521,974	(89,401,987)
Deferred Inflows of Resources			
Deferred inflows - related to OPEB	4,289,476	777,550	3,511,926
Deferred inflows - pensions	61,431,000	8,518,302	52,912,698
	65,720,476	9,295,852	56,424,624
Net Position			
Invested in capital assets, net of related debt	253,014,322	259,143,455	(6,129,133)
Restricted	85,239,356	208,433,081	(123,193,725)
Unrestricted	(106,984,095)	(277,086,064)	170,101,969
Total Net Position	\$ 231,269,583	\$ 190,490,472	\$ 40,779,111

Total Government Wide Net Position increased by approximately \$40.8 million during the 2021-22 fiscal year. It should be noted that land is accounted for at purchase value, not market value, and is not depreciated. Most of the District's school sites have low values for today's market because the District acquired the land decades ago. This valuation of land is consistent with accounting rules set forth under GASB.

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



Change in Net Position

The District's total revenues decreased by 13% to approximately \$245.9 million. General revenues account for 71% 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 decreased approximately by \$22.4 million to \$205 million, of which 67% 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, 2022	June 30, 2021	Change
Revenues			
Program revenues:			
Charges for services	\$ 7,385,441	\$ 8,631,568	\$ (1,246,127)
Operating grants and contributions	57,087,223	61,320,993	(4,233,770)
Capital grants and contributions	5,907,867	48,347,604	(42,439,737)
General revenues:			
Taxes levied for general purposes	35,946,760	32,164,990	3,781,770
Taxes levied for debt service	26,364,541	25,505,008	859,533
Taxes levied for other specific purposes	13,806	1,477	12,329
Unrestricted federal and state aid	110,433,224	103,162,800	7,270,424
Interest and investment earnings	906,854	1,188,839	(281,985)
Interagency revenues	470,524	445,689	24,835
Other general revenue	1,352,428	611,427	741,001
Developer Fees	-	-	-
Internal transfers	-	(5,000)	5,000
Total Revenues	\$ 245,868,668	\$ 281,375,395	\$ (35,506,727)
Expenses			
Instruction-related	\$ 117,880,387	\$ 142,881,126	\$ (25,000,739)
Student support services	18,589,730	18,317,291	272,439
Administration	12,143,439	15,183,772	(3,040,333)
Maintenance and operations	31,896,705	26,777,307	5,119,398
Ancillary services	3,605,815	1,377,288	2,228,527
Community services	169,190	86,036	83,154
Interest on long-term liabilities	14,667,913	14,023,555	644,358
Bond issuance costs	-	2,796,087	(2,796,087)
Other Outgo	1,205,815	1,064,807	141,008
Depreciation (unallocated)	4,929,276	5,031,541	(102,265)
Enterprise activities	1,287	-	1,287
Total Expenses	\$ 205,089,557	\$ 227,538,810	\$ (22,449,253)
Net Position			
Change in net position	40,779,111	53,836,585	(13,057,474)
Restatement (see Note 1R)	-	167,034	(167,034)
Net Position, Beginning of the Year	190,490,472	136,486,853	54,003,619
Net Position, End of the Year	\$ 231,269,583	\$ 190,490,472	\$ 40,779,111



Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities was \$205 million and \$227.5 million for June 30, 2022 and 2021, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$62.3 million and \$57.6 million for June 30, 2022 and 2021, 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	
	2022	2021	2022	2021
Instruction	\$ 96,865,489	\$ 121,143,077	\$ 61,425,606	\$ 79,857,803
Instruction related	21,014,898	21,738,049	14,046,817	18,804,818
Pupil services	18,589,730	18,317,291	6,471,094	5,044,041
Administration	12,143,439	15,183,772	9,891,869	12,690,578
Maintenance and operations	31,896,705	26,777,307	25,672,230	(22,341,618)
Interest on long-term debt	14,667,913	14,023,555	14,667,913	14,023,555
Other	9,911,383	10,355,759	2,533,497	1,159,468
Totals	\$ 205,089,557	\$ 227,538,810	\$ 134,709,026	\$ 109,238,645

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, its funds reported a combined fund balance of \$182.9 million, which is a net decrease of \$51.9 million from the prior year.

Table 4 – Governmental Funds

	Balances and Activity		
	June 30, 2021	Net Change	June 30, 2022
General	\$ 35,352,947	\$ 6,716,923	\$ 42,069,870
Charter Schools Fund	29,507,793	3,783,724	33,291,517
Building Fund	124,832,459	(54,905,022)	69,927,437
Bond Interest and Redemption Fund	22,881,869	(2,997,160)	19,884,709
All Other Governmental Funds	22,270,831	(4,531,460)	17,739,371
Total Governmental Funds	\$ 234,845,899	\$ (51,932,995)	\$ 182,912,904



The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and may be 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 by approximately \$53.4 million primarily because of the construction in progress projects.

Table 5 – Capital Assets at Year-End

	Governmental Activities		
	2022	2021	Net Change
Land	\$ 73,257,885	\$ 73,257,885	\$ -
Improvement of Sites	9,242,065	9,878,540	(636,475)
Buildings	442,556,432	437,319,352	5,237,080
Equipment	982,476	3,645,265	(2,662,789)
Leased Assets	1,245,485	1,628,711	(383,226)
Construction in Progress	77,598,014	25,732,926	51,865,088
Total Capital Assets, net	\$ 604,882,357	\$ 551,462,679	\$ 53,419,678

Outstanding Debt at Year-End

As illustrated below, total long-term liabilities decreased by approximately \$101 million, net. This decrease is primarily related to the payment of General Obligation Bonds and reduction in net pension liability.

Table 6 – Outstanding Debt at Year-End

	Governmental Activities		
	2022	2021	Net Change
General Obligation Bonds	\$ 404,974,259	\$ 419,274,720	\$ (14,300,461)
Accreted Interest	258,098	481,121	(223,023)
Unamortized Premiums on Issuances of GO Bonds	18,623,191	19,873,034	(1,249,843)
Certificates of Participation	-	-	-
Early Retirement Incentive	367,410	916,319	(548,909)
Net Pension Liability	84,224,000	166,641,728	(82,417,728)
OPEB Liability	22,549,681	24,377,277	(1,827,596)
Compensated Absences	334,783	303,871	30,912
Lease Liability	1,263,574	1,628,711	(365,137)
Total Outstanding Debt	\$ 532,594,996	\$ 633,496,781	\$ (100,901,785)



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:

William C. Young
Deputy Superintendent
Natomas Unified School District
1901 Arena Boulevard
Sacramento, California 95834



BASIC FINANCIAL STATEMENTS

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 204,734,019	\$ 245,216	\$ 204,979,235
Receivables	17,461,251	1,133	17,462,384
Internal balances (Note 3)	(3,912)	3,912	-
Stores inventory	46,786	-	46,786
Non-depreciable capital assets (Note 4)	150,855,899	-	150,855,899
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>454,026,458</u>	<u>-</u>	<u>454,026,458</u>
Total assets	<u>827,120,501</u>	<u>250,261</u>	<u>827,370,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 7 and 8)	43,325,339	-	43,325,339
Deferred outflows of resources - OPEB (Note 9)	2,598,654	-	2,598,654
Deferred loss on refunding of debt	<u>3,065,552</u>	<u>-</u>	<u>3,065,552</u>
Total deferred outflows of resources	<u>48,989,545</u>	<u>-</u>	<u>48,989,545</u>
LIABILITIES			
Accounts payable	42,461,035	-	42,461,035
Unearned revenue	4,063,956	-	4,063,956
Long-term liabilities (Note 5):			
Due within one year	11,361,144	-	11,361,144
Due after one year	<u>521,233,852</u>	<u>-</u>	<u>521,233,852</u>
Total liabilities	<u>579,119,987</u>	<u>-</u>	<u>579,119,987</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB (Note 9)	4,289,476	-	4,289,476
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>61,431,000</u>	<u>-</u>	<u>61,431,000</u>
Total deferred inflows of resources	<u>65,720,476</u>	<u>-</u>	<u>65,720,476</u>
NET POSITION			
Net investment in capital assets	253,014,322	-	253,014,322
Restricted:			
Legally restricted programs	53,878,587	-	53,878,587
Capital projects	11,476,060	-	11,476,060
Debt service	19,884,709	-	19,884,709
Enterprise activities	-	250,261	250,261
Unrestricted	<u>(106,984,095)</u>	<u>-</u>	<u>(106,984,095)</u>
Total net position	<u>\$ 231,269,583</u>	<u>\$ 250,261</u>	<u>\$ 231,519,844</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		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
	<u>Expenses</u>						
Governmental activities:							
Instruction	\$ 96,865,489	\$ 26,636	\$ 35,413,181	\$ 66	\$ (61,425,606)	\$ -	\$ (61,425,606)
Instruction-related services:							
Supervision and administration	5,916,684	6,266	2,713,347	-	(3,197,071)	-	(3,197,071)
Library, media and technology	2,909,585	2,199	1,709,770	-	(1,197,616)	-	(1,197,616)
School site administration	12,188,629	9,953	2,526,546	-	(9,652,130)	-	(9,652,130)
Pupil services:							
Home-to-school transportation	2,347,582	-	1,644	-	(2,345,938)	-	(2,345,938)
Food services	7,049,431	3,678	8,573,470	-	1,527,717	-	1,527,717
All other pupil services	9,192,717	29,136	3,510,708	-	(5,652,873)	-	(5,652,873)
General administration:							
Centralized data processing	2,960,834	-	655,634	-	(2,305,200)	-	(2,305,200)
All other general administration	9,182,605	39,867	1,556,069	-	(7,586,669)	-	(7,586,669)
Plant services	31,896,705	-	316,674	5,907,801	(25,672,230)	-	(25,672,230)
Ancillary services	3,605,815	2,036,958	62,051	-	(1,506,806)	-	(1,506,806)
Community services	169,190	4,318	41,196	-	(123,676)	-	(123,676)
Enterprise activities	1,287	-	-	-	(1,287)	-	(1,287)
Other outgo	1,205,815	5,226,430	6,933	-	4,027,548	-	4,027,548
Interest on long-term liabilities	14,667,913	-	-	-	(14,667,913)	-	(14,667,913)
Unallocated depreciation	4,929,276	-	-	-	(4,929,276)	-	(4,929,276)
Total governmental activities	<u>\$205,089,557</u>	<u>\$ 7,385,441</u>	<u>\$ 57,087,223</u>	<u>\$ 5,907,867</u>	<u>(134,709,026)</u>	<u>-</u>	<u>(134,709,026)</u>
Business-type activities:							
Enterprise activities	<u>56,335</u>	<u>67,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,311</u>	<u>11,311</u>
Total	<u>\$205,145,892</u>	<u>\$ 7,453,087</u>	<u>\$ 57,087,223</u>	<u>\$ 5,907,867</u>	<u>(134,709,026)</u>	<u>11,311</u>	<u>(134,697,715)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					35,946,760	-	35,946,760
Taxes levied for debt service					26,364,541	-	26,364,541
Taxes levied for other specific purposes					13,806	-	13,806
Federal and state aid not restricted to specific purposes					110,433,224	-	110,433,224
Interest and investment earnings					906,854	2,052	908,906
Interagency revenues					470,524	-	470,524
Miscellaneous					1,352,428	-	1,352,428
Total general revenues					<u>175,488,137</u>	<u>2,052</u>	<u>175,490,189</u>
Change in net position					40,779,111	13,363	40,792,474
Net position, July 1, 2021					<u>190,490,472</u>	<u>236,898</u>	<u>190,727,370</u>
Net position, June 30, 2022					<u>\$231,269,583</u>	<u>\$ 250,261</u>	<u>\$231,519,844</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Charter Schools Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 51,312,265	\$ 35,250,165	\$ 54,074,325	\$ 19,855,914	\$ 14,390,000	\$ 174,882,669
Cash in banks	500	-	-	-	642,129	642,629
Cash in revolving fund	35,000	25,000	-	-	-	60,000
Cash with fiscal agent	2,015,251	-	27,133,470	-	-	29,148,721
Receivables	11,693,755	1,941,585	231,756	37,582	3,556,573	17,461,251
Due from other funds	1,289,050	415,320	-	-	9	1,704,379
Stores inventory	-	-	-	-	46,786	46,786
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,786</u>	<u>46,786</u>
 Total assets	 <u>\$ 66,345,821</u>	 <u>\$ 37,632,070</u>	 <u>\$ 81,439,551</u>	 <u>\$ 19,893,496</u>	 <u>\$ 18,635,497</u>	 <u>\$ 223,946,435</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 20,441,946	\$ 3,008,345	\$ 11,512,114	\$ -	\$ 298,879	\$ 35,261,284
Unearned revenue	3,398,704	597,607	-	8,787	58,858	4,063,956
Due to other funds	435,301	734,601	-	-	538,389	1,708,291
	<u>24,275,951</u>	<u>4,340,553</u>	<u>11,512,114</u>	<u>8,787</u>	<u>896,126</u>	<u>41,033,531</u>
 Total liabilities	 <u>24,275,951</u>	 <u>4,340,553</u>	 <u>11,512,114</u>	 <u>8,787</u>	 <u>896,126</u>	 <u>41,033,531</u>
 Fund balances:						
Nonspendable	35,000	25,000	-	-	46,786	106,786
Restricted	14,323,759	33,266,517	69,927,437	19,884,709	17,692,585	155,095,007
Committed	23,016,464	-	-	-	-	23,016,464
Assigned	139,647	-	-	-	-	139,647
Unassigned	4,555,000	-	-	-	-	4,555,000
	<u>42,069,870</u>	<u>33,291,517</u>	<u>69,927,437</u>	<u>19,884,709</u>	<u>17,739,371</u>	<u>182,912,904</u>
 Total fund balances	 <u>42,069,870</u>	 <u>33,291,517</u>	 <u>69,927,437</u>	 <u>19,884,709</u>	 <u>17,739,371</u>	 <u>182,912,904</u>
 Total liabilities and fund balances	 <u>\$ 66,345,821</u>	 <u>\$ 37,632,070</u>	 <u>\$ 81,439,551</u>	 <u>\$ 19,893,496</u>	 <u>\$ 18,635,497</u>	 <u>\$ 223,946,435</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - Governmental Funds	\$	182,912,904
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$782,330,847 and the accumulated depreciation is \$177,448,490 (Note 4).		604,882,357
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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 at June 30, 2022 consisted of (Note 5):

General Obligation Bonds	\$ (404,974,259)	
Accreted interest	(258,098)	
Premium on issuance of debt	(18,623,191)	
Lease liability	(1,263,574)	
Net pension liability (Notes 7 and 8)	(84,224,000)	
Total OPEB liability (Note 9)	(22,549,681)	
Early retirement incentive	(367,410)	
Compensated absences	(334,783)	
		(532,594,996)

In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred:		(7,199,751)
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Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.		3,065,552
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In governmental funds, deferred outflows and inflows of resources relating to other postemployment benefits (OPEB) and pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB and pensions are reported (Notes 7, 8 and 9).

Deferred outflows of resources relating to OPEB	2,598,654	
Deferred inflows of resources relating to OPEB	(4,289,476)	
Deferred outflows of resources relating to pensions	43,325,339	
Deferred inflows of resources relating to pensions	(61,431,000)	(19,796,483)

Total net position - governmental activities	\$	231,269,583
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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Charter Schools Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local control funding formula (LCFF):						
State apportionment	\$ 86,027,851	\$ 25,207,854	\$ -	\$ -	\$ -	\$111,235,705
Local sources	24,295,323	7,467,588	-	-	-	31,762,911
Total LCFF	110,323,174	32,675,442	-	-	-	142,998,616
Federal sources	15,188,924	523,221	-	-	8,456,116	24,168,261
Other state sources	29,798,721	5,136,306	5,907,801	138,845	2,156,978	43,138,651
Other local sources	2,467,869	1,695,966	428,749	26,363,927	7,515,589	38,472,100
Total revenues	157,778,688	40,030,935	6,336,550	26,502,772	18,128,683	248,777,628
Expenditures:						
Current:						
Certificated salaries	63,648,963	17,196,879	-	-	491,636	81,337,478
Classified salaries	24,771,068	3,315,513	40,967	-	3,213,671	31,341,219
Employee benefits	34,798,301	8,279,336	18,526	-	1,399,236	44,495,399
Books and supplies	8,810,762	1,927,060	103,355	-	4,318,533	15,159,710
Contract services and operating expenditures	16,944,661	4,279,437	393,866	-	2,230,322	23,848,286
Other outgo	1,205,815	-	-	-	-	1,205,815
Capital outlay	2,048,875	11,841	60,684,858	-	10,672,300	73,417,874
Debt service:						
Principal retirement	-	365,137	-	14,300,461	-	14,665,598
Interest	-	39,773	-	15,199,471	-	15,239,244
Total expenditures	152,228,445	35,414,976	61,241,572	29,499,932	22,325,698	300,710,623
Excess (deficiency) of revenues over (under) expenditures	5,550,243	4,615,959	(54,905,022)	(2,997,160)	(4,197,015)	(51,932,995)
Other financing sources (uses):						
Transfers in	1,166,680	-	-	-	203,994	1,370,674
Transfers out	-	(832,235)	-	-	(538,439)	(1,370,674)
Total other financing sources (uses)	1,166,680	(832,235)	-	-	(334,445)	-
Change in fund balances	6,716,923	3,783,724	(54,905,022)	(2,997,160)	(4,531,460)	(51,932,995)
Fund balances, July 1, 2021	35,352,947	29,507,793	124,832,459	22,881,869	22,270,831	234,845,899
Fund balances, June 30, 2022	\$ 42,069,870	\$ 33,291,517	\$ 69,927,437	\$ 19,884,709	\$ 17,739,371	\$182,912,904

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - Total Governmental Funds	\$ (51,932,995)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	71,382,350
Depreciation and amortization of capital assets is an expense that is not recorded in the governmental funds (Note 4)	(17,962,672)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	14,665,598
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	223,023
Premiums related to the issuance of long-term liabilities is recognized as an other financing source in the governmental funds, but decreases the liability in the statement of net position. (Note 5).	1,249,843
In governmental funds, deferred outflows of resources related to losses on refunding of debt are not recognized. In the government-wide statements, these are amortized over the life of the debt. The net activity of deferred outflows from debt refunding for the current year is:	(204,494)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	(1,012,783)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8):	25,592,791
In governmental funds, compensated absences and early retirement incentive payments are measured by the amounts paid during the period. In the statement of activities, these expenses are measured by the amounts earned.	517,997
In the statement of activities, expenses related to net OPEB liability are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).	(1,739,547)
Change in net position of governmental activities	<u>\$ 40,779,111</u>

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 244,716
Cash in banks	500
Receivables	1,133
Due from other funds	<u>20,946</u>

Total current assets	<u>267,295</u>
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LIABILITIES

Current liabilities:

Due to other funds	<u>17,034</u>
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NET POSITION

Restricted - enterprise activities	<u><u>\$ 250,261</u></u>
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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUNDS
June 30, 2022

Operating revenues:	
Charges for services	\$ 67,646
Operating expenses:	
Classified salaries	6,322
Employee benefits	762
Books and supplies	49,251
Total operating expenses	56,335
Net operating income	11,311
Non-operating income:	
Interest income	2,052
Change in net position	13,363
Total net position, July 1, 2021	236,898
Total net position, June 30, 2022	\$ 250,261

See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
June 30, 2022

Cash flows from operating activities:

Cash received from enterprise activities	\$ 46,579
Cash paid for services	<u>(129,783)</u>

Net cash used in operating activities	(83,204)
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Cash flows from investing activities:

Interest income received	<u>2,052</u>
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Change in cash and investments	(81,152)
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Cash and investments, July 1, 2021	<u>326,368</u>
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Cash and investments, June 30, 2022	<u>\$ 245,216</u>
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Reconciliation of net operating income to net cash used in operating activities:

Net operating income	<u>\$ 11,311</u>
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Adjustments to reconcile operating income to net cash used in operating activities:

Decrease (increase) in:

Receivables	(853)
Due from other funds	(20,214)

(Decrease) increase in:

Accounts payable	(228)
Due to other funds	<u>(73,220)</u>

Total adjustments	<u>(94,515)</u>
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Net cash used in operating activities	<u>\$ (83,204)</u>
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See accompanying notes to financial statements.

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Natomas Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District and Natomas Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District. Therefore, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Trustees.
2. The Corporation has no employees. The District's Superintendent and Deputy Superintendent of Business Services function as agents of the Corporation. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
3. For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity in the Building Fund. Certificates of Participation issued by the Corporation are included as liabilities in the Statement of Net Position. At June 30, 2022, the Corporation had no debt outstanding.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the District.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For fiscal reporting purposes, the current year activity and year-end balance of the Special Reserve for Postemployment Benefits Fund is combined with the General Fund because it does not meet the definition of a Special Revenue Fund under GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definition*.

Charter Schools Fund - The Charter Schools Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the District's charter schools.

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

Bond Interest and Redemption Fund - The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Student Activity, Adult Education, Child Development, and Cafeteria Funds.

Capital Projects Funds - Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Capital Facilities, County School Facilities, and Special Reserve for Capital Outlay Projects Funds.

Proprietary Funds - Proprietary Funds are used to account for activities that are more business-like than government-like in nature. The District operates two proprietary funds, both of which are enterprise funds as follows:

- **Cafeteria Enterprise Fund** – The Cafeteria Enterprise Fund is used to account for a District-run cafeteria program in a manner similar to private business enterprises.
- **Discovery Café Enterprise Fund** - The Discovery Café Enterprise Fund is used to account for the Café at Discovery High School in a manner similar to private business enterprises.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

Receivables: Receivables general represent amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2022.

Stores Inventory: Inventories in the Cafeteria Fund are valued at average cost and consists mainly of food and other consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 3 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized deferred outflows of resources related to the net pension liability and total OPEB liability.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the net pension liability and total OPEB liability.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 33,580,460	\$ 9,744,879	\$ 43,325,339
Deferred inflows of resources	\$ 48,022,000	\$ 13,409,000	\$ 61,431,000
Net pension liability	\$ 49,496,000	\$ 34,728,000	\$ 84,224,000
Pension expense	\$ (5,335,877)	\$ 4,667,099	\$ (668,778)

Leases: From time to time, the District may enter into agreements as a lessee for leases of buildings or equipment for District use. Upon entering into a lease agreement as lessee, the District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual total liability of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and the lease liability is reported with long-term liabilities, on the statement of net position.

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

Compensated Absences: Compensated absences benefits in the amount of \$334,783 are recorded as a liability. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees, when the employee retires.

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

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, net of deferred losses on refunding.

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for enterprise activities represents the portion of net position restricted for cafeteria enterprise activities. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance - The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - Committed Fund Balance - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance.

D - Assigned Fund Balance - The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2022, no such designation has occurred.

E - Unassigned Fund Balance - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. The District has established a minimum fund balance policy of 9%. However, at June 30, 2022, in compliance with the Criteria and Standards for fiscal solvency as adopted by the California State Board of Education, the District only maintained a total Designated for Economic Uncertainty of \$4,555,000 in unassigned fund balance representing 3% of budgeted general fund expenditures and other financing uses and meets. Additionally, the District has two established stabilization arrangements, including one for SELPA.

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

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the recognition of certain assets and liabilities for leases which previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability with a corresponding intangible right-to-use lease asset. Additionally, the lessor is required to recognize a lease receivable and corresponding deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. As a result of the implementation of GASB Statement No. 87, the District's capital assets and long-term Liabilities were both increased by \$1,628,711 on July 1, 2021.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022 are reported at fair value and consisted of the following:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 174,882,669	\$ 244,716
Deposits:		
Cash on hand and in banks	642,629	500
Cash in revolving fund	60,000	-
Total deposits	702,629	500
Investments:		
Cash with fiscal agent	29,148,721	-
Total cash and investments	\$ 204,734,019	\$ 245,216

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

Deposits - Custodial Credit Risk - Deposits: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2022, the total carrying amount of the District's accounts was \$703,129 and the bank balances totaled \$747,249, of which \$247,249 was insured but remained collateralized.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General Fund totaling \$2,015,251 represents cash held by third party custodians related to the PARS pension stabilization trust and is fully collateralized. Cash with Fiscal Agent in the Building Fund totaling \$27,133,470 represents cash held with third party custodians for capital projects and is fully collateralized.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. June 30, 2022, the District had no concentration of credit risk.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 1,289,050	\$ 435,301
Charter School	415,320	734,601
Non-Major Funds:		
Adult Education	-	17,031
Child Development	-	75,849
Cafeteria	9	285,091
Capital Facilities	-	160,418
Proprietary Fund:		
Cafeteria Enterprise	20,946	17,034
Totals	<u>\$ 1,725,325</u>	<u>\$ 1,725,325</u>

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

Interfund transfers for the 2021-2022 fiscal year were as follows:

Transfer from the Charter Schools Fund to the General Fund for special education services provided through a Memorandum of Understanding.	\$ 628,241
Transfer from the Charter Schools Fund to the Capital Facilities Fund for facilities use charges.	203,994
Transfer from the Capital Facilities Fund to the General Fund for administrative fees.	160,418
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	17,031
Transfer from the Child Development Fund to the General Fund for indirect costs support.	75,899
Transfer from the Cafeteria Fund to the General Fund for indirect costs support.	285,091
	<u>\$ 1,370,674</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, 2021	Restatement from GASB 87 Implementation	Balance July 1, 2021, As Restated	Transfers and Additions	Transfers and Deductions	Balance June 30, 2022
<u>Governmental Activities</u>						
Non-depreciable:						
Land	\$ 73,257,885	\$ -	\$ 73,257,885	\$ -	\$ -	\$ 73,257,885
Work-in-process	25,732,926	-	25,732,926	64,853,462	12,988,374	77,598,014
Depreciable:						
Buildings	575,304,889	-	575,304,889	18,448,504	-	593,753,393
Site improvements	19,732,856	-	19,732,856	752,126	-	20,484,982
Equipment	15,291,230	-	15,291,230	316,632	-	15,607,862
Totals, at cost	<u>709,319,786</u>	<u>-</u>	<u>709,319,786</u>	<u>84,370,724</u>	<u>12,988,374</u>	<u>780,702,136</u>
Less accumulated depreciation:						
Buildings	(137,985,537)	-	(137,985,537)	(13,211,424)	-	(151,196,961)
Site improvements	(9,854,316)	-	(9,854,316)	(1,388,601)	-	(11,242,917)
Equipment	(11,645,965)	-	(11,645,965)	(2,979,421)	-	(14,625,386)
Total accumulated depreciation	<u>(159,485,818)</u>	<u>-</u>	<u>(159,485,818)</u>	<u>(17,579,446)</u>	<u>-</u>	<u>(177,065,264)</u>
Lease assets:						
Buildings	-	1,628,711	1,628,711	-	-	1,628,711
Accumulated lease amortization:						
Buildings	-	-	-	(383,226)	-	(383,226)
Total lease assets, net	<u>-</u>	<u>1,628,711</u>	<u>1,628,711</u>	<u>(383,226)</u>	<u>-</u>	<u>1,245,485</u>
Capital assets, net	<u>\$ 549,833,968</u>	<u>\$ 1,628,711</u>	<u>\$ 551,462,679</u>	<u>\$ 66,408,052</u>	<u>\$ 12,988,374</u>	<u>\$ 604,882,357</u>

Depreciation and amortization expense was charged to governmental activities as follows:

Instruction	\$ 126,572
Supervision of instruction	1,758
Food services	94,929
All other pupil services	103,719
Ancillary services	8,790
All other general administration	24,611
Data processing	80,865
Plant services	12,592,152
Unallocated depreciation	<u>4,929,276</u>
Total depreciation and amortization expense	<u>\$ 17,962,672</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On January 1, 1999, the District issued 1999 General Obligation Refunding Bonds totaling \$22,450,000. Repayment of the bonds is made from the special parcel tax revenues levied in connection with the bond issue.

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.

On June 19, 2012, the District issued 2012 General Obligation Refunding bonds in the amount of \$18,165,000 to refund the District's outstanding Series 2001 and 2003A General Obligation Bonds.

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 Election of 2002, Series 2004B General Obligation Bonds.

In December 2014, the District issued \$52,530,000 of 2014 General Obligation Refunding Bonds to refund a portion of the District's outstanding Election of 2006, Series 2006 General Obligation Bonds.

In July 2015, the District issued \$69,500,000 of Election of 2014, Series 2015 General Obligation Bonds to finance the acquisition and improvement of real property for school purposes and pay the costs of issuance of the Bonds.

In August 2016, the District issued \$39,000,000 of Election of 2014, Series 2017 General Obligation Bonds to finance the acquisition and improvement of real property for school purposes.

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 and 2008 General Obligation Refunding Bonds.

In August 2019 the District issued \$60,000,000 of Election of 2018, Series 2019 General Obligation Bonds, to finance the construction of school facilities projects.

On September 15, 2020, the District issued Election of 2014, Series 2020 General Obligation Bonds in the amount of \$20,500,000 to finance the construction of school facilities projects.

On September 15, 2020, the District issued Election of 2018, Series 2020A General Obligation Bonds, in the amount of \$52,980,000 to finance the construction of school facilities projects.

On September 15, 2020, the District issued Election of 2018, Series 2020B General Obligation Bonds, in the amount of \$59,020,000 to refund, on an advanced basis, the District's previously issued 2019 Certificates of Participation.

On September 15, 2020, the District issued 2020 General Obligation Refunding Bonds in the amount of \$27,060,000 to currently refund the outstanding Series 2007 General Obligation Bonds of the District.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligation Bonds payable as of June 30, 2022 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Original Issuance</u>	<u>Balance July 1, 2021</u>	<u>Current Year Issuance</u>	<u>Current Year Refunded & Matured</u>	<u>Balance June 30, 2022</u>
1999 GO Refunding	4.7 - 5.95%	2022	\$ 22,450,000	\$ 275,000	\$ -	\$ 275,000	\$ -
Election 2002, Series 2004B	5.0 - 5.34%	2023	30,584,687	339,720	-	175,461	164,259
2012 GO Refunding	3.0 - 4.0%	2028	18,165,000	10,475,000	-	1,260,000	9,215,000
2013 GO Refunding	2.0 - 5.0%	2029	27,265,000	19,155,000	-	1,610,000	17,545,000
2014 GO Refunding	1.0 - 5.0%	2031	52,530,000	46,780,000	-	2,545,000	44,235,000
Election 2014, Series 2015	2.0 - 5.0%	2041	69,500,000	64,650,000	-	-	64,650,000
Election 2014, Series 2017	4.0 - 5.0%	2043	39,000,000	35,440,000	-	1,050,000	34,390,000
2017 GO Refunding	5.0%	2033	32,130,000	26,340,000	-	105,000	26,235,000
Election 2018, Series 2019	3.0 - 5.0%	2050	60,000,000	56,260,000	-	4,660,000	51,600,000
Election 2014, Series 2020	2.0 - 5.0%	2043	20,500,000	20,500,000	-	170,000	20,330,000
Election 2018, Series 2020A	2.25 - 4.0%	2050	52,980,000	52,980,000	-	-	52,980,000
Election 2018, Series 2020B	0.7 - 3.0%	2045	59,020,000	59,020,000	-	-	59,020,000
2020 GO Refunding	0.5 - 5.0%	2030	27,060,000	27,060,000	-	2,450,000	24,610,000
				<u>\$419,274,720</u>	<u>\$ -</u>	<u>\$ 14,300,461</u>	<u>\$404,974,259</u>

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 9,289,259	\$ 14,643,206	\$ 23,932,465
2024	10,565,000	14,013,612	24,578,612
2025	12,075,000	13,499,550	25,574,550
2026	14,030,000	12,885,337	26,915,337
2027	16,030,000	12,176,962	28,206,962
2028-2032	79,980,000	52,575,259	132,555,259
2033-2037	63,140,000	39,100,423	102,240,423
2038-2042	88,490,000	27,594,641	116,084,641
2043-2047	66,665,000	12,878,483	79,543,483
2048-2050	44,710,000	2,548,225	47,258,225
	<u>\$ 404,974,259</u>	<u>\$ 201,915,698</u>	<u>\$ 606,889,957</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Lease Liability: The District holds a lease agreement for facilities in connection with a school site. As the lease agreement does not contain a stated rate, management applied an estimated incremental borrowing rate to determine the net present value of lease payments. The lease is scheduled to mature through 2026, with annual requirements to amortize the lease as of June 30, 2022, as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 375,375	\$ 1,986	\$ 377,361
2024	387,158	1,636	388,794
2025	399,307	1,280	400,587
2026	<u>101,734</u>	<u>262</u>	<u>101,996</u>
	<u>\$ 1,263,574</u>	<u>\$ 5,164</u>	<u>\$ 1,268,738</u>

Early Retirement Incentive Program: Public Agency Retirement Services (PARS) made available to the District supplementary retirement plans during the years ending June 30, 2017, and June 30, 2020. These are retirement incentive programs supplementing CalSTRS and/or CalPERS 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, 2022, are as follows:

Year Ending <u>June 30,</u>	<u>Payments</u>
2023	\$ 122,470
2024	122,470
2025	<u>122,470</u>
	<u>\$ 367,410</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2022 is shown below.

	Balance July 1, 2021	Restatement from GASB 87 Implementation	Balance July 1, 2021 As Restated	Additions	Deletions	Balance June 30, 2022	Amounts Due Within One Year
<u>General Obligation Bonds:</u>							
General Obligation Bonds	\$ 419,274,720	\$ -	\$ 419,274,720	\$ -	\$ 14,300,461	404,974,259	\$ 9,289,259
Accreted interest	481,121	-	481,121	26,516	249,539	258,098	249,539
Unamortized premiums	19,873,034	-	19,873,034	-	1,249,843	18,623,191	1,324,501
<u>Other Long-term Liabilities:</u>							
Lease liability	-	1,628,711	1,628,711	-	365,137	1,263,574	375,375
Net pension liability (Notes 7 and 8)	166,641,728	-	166,641,728	-	82,417,728	84,224,000	-
Total OPEB liability (Note 9)	24,377,277	-	24,377,277	-	1,827,596	22,549,681	-
Early retirement incentive	916,319	-	916,319	-	548,909	367,410	122,470
Compensated absences	303,871	-	303,871	30,912	-	334,783	-
	<u>\$ 631,868,070</u>	<u>\$ 1,628,711</u>	<u>\$ 633,496,781</u>	<u>\$ 57,428</u>	<u>\$ 100,959,213</u>	<u>\$ 532,594,996</u>	<u>\$ 11,361,144</u>

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

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2022 consisted of the following:

	General Fund	Charter Schools Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 35,000	\$ 25,000	\$ -	\$ -	\$ -	\$ 60,000
Stores inventory	-	-	-	-	46,786	46,786
Subtotal nonspendable	<u>35,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>46,786</u>	<u>106,786</u>
Restricted:						
Legally restricted programs:						
Grants	14,323,759	33,266,517	-	-	-	47,590,276
Student body activities	-	-	-	-	639,605	639,605
Cafeteria operations	-	-	-	-	5,048,224	5,048,224
Other restricted programs	-	-	-	-	528,696	528,696
Capital projects	-	-	69,927,437	-	11,476,060	81,403,497
Debt service	-	-	-	19,884,709	-	19,884,709
Subtotal restricted	<u>14,323,759</u>	<u>33,266,517</u>	<u>69,927,437</u>	<u>19,884,709</u>	<u>17,692,585</u>	<u>155,095,007</u>
Committed:						
Stabilization arrangement	18,591,836	-	-	-	-	18,591,836
Textbooks and technology	1,329,628	-	-	-	-	1,329,628
Diversity recruitment	695,000	-	-	-	-	695,000
Pandemic relief staffing	2,400,000	-	-	-	-	2,400,000
Subtotal committed	<u>23,016,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,016,464</u>
Assigned:						
OPEB reserves	<u>139,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,647</u>
Unassigned:						
Designated for economic uncertainty	<u>4,555,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,555,000</u>
Total fund balances	<u><u>\$ 42,069,870</u></u>	<u><u>\$ 33,291,517</u></u>	<u><u>\$ 69,927,437</u></u>	<u><u>\$ 19,884,709</u></u>	<u><u>\$ 17,739,371</u></u>	<u><u>\$ 182,912,904</u></u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

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

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

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older. All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation"), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021-2022.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-2022.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2020 valuation adopted by the board in June 2021, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2021.

Employers – 16.92 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.18 percent, to be paid on behalf of employers pursuant to the Special Legislation.

Beginning in fiscal year 2021-22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021-22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021-22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021-22, respectively.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

The CalSTRS employer contribution rate increases effective for fiscal year 2021-22 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$13,096,460 to the plan for the fiscal year ended June 30, 2022.

State - 10.828 percent of the members' creditable earnings from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021-22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020-21, CalSTRS received \$297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately \$170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020-21. The remaining \$127.0 million is designated to reduce the state's share of CalSTRS' unfunded actuarial obligation.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

The CalSTRS state contribution rates effective for fiscal year 2021-22 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.

(2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.

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

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 49,496,000
State's proportionate share of the net pension liability associated with the District	<u>29,439,000</u>
	<u><u>\$ 78,935,000</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2021, the District's proportion was 0.109 percent, which was a decrease of 0.011 percent from its proportion measured as of June 30, 2020.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the District recognized pension expense of (\$5,335,877) and revenue of \$8,272,785 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 124,000	\$ 5,267,000
Changes of assumptions	7,013,000	-
Net differences between projected and actual earnings on investments	-	39,153,000
Changes in proportion and differences between District contributions and proportionate share of contributions	13,347,000	3,602,000
Contributions made subsequent to measurement date	<u>13,096,460</u>	<u>-</u>
Total	<u>\$ 33,580,460</u>	<u>\$ 48,022,000</u>

\$13,096,460 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ (6,385,317)
2024	\$ (5,183,317)
2025	\$ (8,511,817)
2026	\$ (8,873,483)
2027	\$ 852,267
2028	\$ 563,667

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Mortality CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 investment staff and investment consultants as inputs to the process.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

The actuarial investment rate of return assumption was adopted by the CalSTRS 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 the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 100,756,000</u>	<u>\$ 49,496,000</u>	<u>\$ 6,951,000</u>

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

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/acfr-2021.pdf>

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-22.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$6,442,879 to the plan for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$34,728,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2021, the District’s proportion was 0.171 percent, which was an increase of 0.019 from its proportion measured as of June 30, 2020.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the District recognized pension expense of \$4,667,099. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,037,000	\$ 82,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	13,327,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,265,000	-
Contributions made subsequent to measurement date	<u>6,442,879</u>	<u>-</u>
Total	<u>\$ 9,744,879</u>	<u>\$ 13,409,000</u>

\$6,442,879 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (1,387,917)
2024	\$ (2,254,917)
2025	\$ (2,757,416)
2026	\$ (3,706,750)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 ⁽¹⁾</u>	<u>Expected Real Rate of Return Years 11+⁽²⁾</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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

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 and forecasted information for 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 58,556,000</u>	<u>\$ 34,728,000</u>	<u>\$ 14,945,000</u>

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

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

General Information About the Other Postemployment Benefits (OPEB) Plan

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees. Benefits are provided to all classified employees that have been enrolled in the Plan for at least two open enrollment periods, who enter into CalPERS retirement, and who have over 15 years of consecutive service. Certificated employees who are currently enrolled in the Plan, complete 15 years of consecutive service, and enter the retirement system upon leaving the District are eligible to receive medical benefits (up to single rate) until they reach age 65. The plan does not issue separate financial statements.

The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements to continue medical coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2022, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2022:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	67
Active employees	930
	<u>997</u>

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:

Certificated – Medical, dental and vision benefits are provided to retirees who meet specific eligibility requirements. These requirements include retiring after 10 years of service to the District, and after having reached the age of 55. Benefits are provided as a supplemental benefit up to the age of 65, with dependent care coverage included. The District contributes 100 percent of the costs for these benefits, up to a cap of \$7,864, per year.

Classified, Management and Confidential – Medical, dental and vision benefits are provided to retirees who meet specific eligibility requirements. Retirees must be at least age 55 at retirement. Single employees must provide 10-14 years of service to the District. Others must provide 15 or more years of service to the District. Benefits are provided up to the age of 65, with dependent care coverage included. The District cap varies based on the number of dependents.

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Contributions to the Plan from the District were \$758,651 for the year ended June 30, 2022. 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, 2022 and was determined by an actuarial valuation as of the same date.

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

<u>Valuation Date</u>	June 30, 2022
<u>Mortality Rate</u>	2020 CalSTRS, 2017 CalPERS Mortality tables.
<u>Discount Rate</u>	3.54% based upon the Bond Buyer 20 Bond Index.
<u>Retirement Rate</u>	2020 CalSTRS, 2017 CalPERS retirement rate tables.
<u>Inflation Rate</u>	2.50% per year
<u>Participation Rate</u>	90% of all employee groups are assumed to participate in the plan under age 65. 70% are assumed to participate in Medicare.
<u>Turnover</u>	Turnover rates are based on 2020 CalSTRS, 2017 CalPERS termination rates tables.
<u>Salary Increases</u>	2.75% per year
<u>Medicare Coverage</u>	All current and future participating retirees will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Spouse Prevalence</u>	80% of retirees are assumed to be married at retirement. Female spouses are assumed to be 3 years younger than male spouses.
<u>Health Care Trend Rate</u>	4.00% per year.
<u>Funding Method</u>	Entry Age Cost Method

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balance, June 30, 2021	\$ 24,377,277
Changes for the year:	
Service cost	1,985,449
Interest	539,799
Differences between expected and actual experience	304,022
Changes of assumptions	(3,898,215)
Benefit payments	(758,651)
Net change	(1,827,596)
Balance, June 30, 2022	\$ 22,549,681

The changes in assumptions in the June 30, 2022 valuation include an update in the discount rate to 3.54%, from 2.16% in the prior valuation.

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 25,418,891	\$ 22,549,681	\$ 20,138,852

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

	1% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	\$ 19,217,610	\$ 22,549,681	\$ 26,780,382

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,498,198. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 281,501	\$ 680,018
Changes of assumptions	<u>2,317,153</u>	<u>3,609,458</u>
Total	<u>\$ 2,598,654</u>	<u>\$ 4,289,476</u>

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

Year Ending <u>June 30,</u>	
2023	\$ (27,050)
2024	\$ (27,050)
2025	\$ (27,050)
2026	\$ (27,050)
2027	\$ (31,120)
Thereafter	\$ (1,551,502)

Changes in assumptions and differences between expected and actual experience are amortized over a closed period of 13.5-year period as of the June 30, 2022 measurement date.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - JOINT POWERS AGREEMENT

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the prior year. The following is a summary of financial information for SIA at June 30, 2022:

Total assets	\$ 211,771,868
Deferred outflows	\$ 1,751,462
Total liabilities	\$ 86,615,462
Deferred inflows	\$ 3,674,124
Total net position	\$ 123,233,744
Total revenues	\$ 59,357,945
Total expenses	\$ 66,482,201
Change in net position	\$ (7,124,256)

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

At June 30, 2022, the District had commitments for capital construction projects totaling approximately \$30.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2022

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 86,346,201	\$ 85,323,691	\$ 86,027,851	\$ 704,160
Local sources	20,945,850	21,019,333	24,295,323	3,275,990
Total LCFF	107,292,051	106,343,024	110,323,174	3,980,150
Federal sources	8,956,460	20,032,899	15,188,924	(4,843,975)
Other state sources	23,298,949	28,043,018	29,798,721	1,755,703
Other local sources	1,867,227	3,107,552	2,467,869	(639,683)
Total revenues	141,414,687	157,526,493	157,778,688	252,195
Expenditures:				
Current:				
Certificated salaries	60,701,646	64,039,684	63,648,963	390,721
Classified salaries	24,801,797	25,639,200	24,771,068	868,132
Employee benefits	35,426,179	34,927,760	34,798,301	129,459
Books and supplies	5,047,848	11,892,094	8,810,762	3,081,332
Contract services and operating expenditures	15,585,483	23,882,977	16,944,661	6,938,316
Other outgo	957,367	-	1,205,815	(1,205,815)
Capital outlay	326,754	2,418,370	2,048,875	369,495
Total expenditures	142,847,074	162,800,085	152,228,445	10,571,640
(Deficiency) excess of revenues (under) over expenditures	(1,432,387)	(5,273,592)	5,550,243	10,823,835
Other financing sources (uses):				
Transfers in	1,083,691	3,156,242	1,166,680	(1,989,562)
Transfers out	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	1,033,691	3,106,242	1,166,680	(1,939,562)
Change in fund balance	(398,696)	(2,167,350)	6,716,923	8,884,273
Fund balance, July 1, 2021	35,352,947	35,352,947	35,352,947	-
Fund balance, June 30, 2022	\$ 34,954,251	\$ 33,185,597	\$ 42,069,870	\$ 8,884,273

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHARTER SCHOOLS FUND
For the Year Ended June 30, 2022

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 26,005,370	\$ 25,906,613	\$ 25,207,854	\$ (698,759)
Local sources	<u>6,702,872</u>	<u>7,260,087</u>	<u>7,467,588</u>	<u>207,501</u>
Total LCFF	<u>32,708,242</u>	<u>33,166,700</u>	<u>32,675,442</u>	<u>(491,258)</u>
Federal sources	125,000	608,746	523,221	(85,525)
Other state sources	3,363,414	4,970,789	5,136,306	165,517
Other local sources	<u>1,356,084</u>	<u>1,676,545</u>	<u>1,695,966</u>	<u>19,421</u>
Total revenues	<u>37,552,740</u>	<u>40,422,780</u>	<u>40,030,935</u>	<u>(391,845)</u>
Expenditures:				
Current:				
Certificated salaries	17,657,622	17,653,990	17,196,879	457,111
Classified salaries	3,130,356	3,346,116	3,315,513	30,603
Employee benefits	8,263,331	8,106,591	8,279,336	(172,745)
Books and supplies	2,275,526	2,688,318	1,927,060	761,258
Contract services and operating expenditures	6,021,837	5,663,066	4,279,437	1,383,629
Capital outlay	27,500	11,841	11,841	-
Debt service:				
Principal retirement	-	-	365,137	(365,137)
Interest	<u>-</u>	<u>-</u>	<u>39,773</u>	<u>(39,773)</u>
Total expenditures	<u>37,376,172</u>	<u>37,469,922</u>	<u>35,414,976</u>	<u>2,054,946</u>
Excess of revenues over expenditures	<u>176,568</u>	<u>2,952,858</u>	<u>4,615,959</u>	<u>1,663,101</u>
Other financing uses:				
Transfers out	<u>(827,377)</u>	<u>(834,020)</u>	<u>(832,235)</u>	<u>1,785</u>
Net change in fund balance	(650,809)	2,118,838	3,783,724	1,664,886
Fund balance, July 1, 2021	<u>29,507,793</u>	<u>29,507,793</u>	<u>29,507,793</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 28,856,984</u>	<u>\$ 31,626,631</u>	<u>\$ 33,291,517</u>	<u>\$ 1,664,886</u>

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER
POST EMPLOYMENT BENEFIT (OPEB) LIABILITY
For the Year Ended June 30, 2022

	Last 10 Fiscal Years				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 825,300	\$ 850,059	\$ 1,610,236	\$ 1,927,620	\$ 1,985,449
Interest on total OPEB liability	639,702	664,032	677,517	526,021	539,799
Differences between expected and actual experience	-	(10,909)	(962,942)	-	304,022
Changes of assumptions	-	206,666	3,019,651	113,118	(3,898,215)
Benefit payments	<u>(795,274)</u>	<u>(821,641)</u>	<u>(714,884)</u>	<u>(718,823)</u>	<u>(758,651)</u>
Net change in total OPEB liability	669,728	888,207	3,629,578	1,847,936	(1,827,596)
Total OPEB liability - beginning of year	<u>17,341,828</u>	<u>18,011,556</u>	<u>18,899,763</u>	<u>22,529,341</u>	<u>24,377,277</u>
Total OPEB liability - end of year	<u>\$ 18,011,556</u>	<u>\$ 18,899,763</u>	<u>\$ 22,529,341</u>	<u>\$ 24,377,277</u>	<u>\$ 22,549,681</u>
Covered employee payroll	\$ 59,765,420	\$ 61,558,383	\$ 74,044,885	\$ 78,059,351	\$ 75,165,603
Total OPEB liability as a percentage of covered employee payroll	30%	31%	30%	31%	30%

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

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.107%	0.119%	0.117%	0.116%	0.106%	0.118%	0.120%	0.109%
District's proportionate share of the net pension liability	\$ 62,433,000	\$ 80,055,000	\$ 94,646,000	\$ 107,134,000	\$ 97,421,420	\$ 106,572,880	\$ 116,290,800	\$ 49,496,000
State's proportionate share of the net pension liability associated with the District	<u>37,700,000</u>	<u>42,340,000</u>	<u>53,885,000</u>	<u>63,380,000</u>	<u>55,830,400</u>	<u>57,973,377</u>	<u>59,925,068</u>	<u>29,439,000</u>
Total net pension liability	<u>\$ 100,133,000</u>	<u>\$ 122,395,000</u>	<u>\$ 148,531,000</u>	<u>\$ 170,514,000</u>	<u>\$ 153,251,820</u>	<u>\$ 164,546,257</u>	<u>\$ 176,215,868</u>	<u>\$ 78,935,000</u>
District's covered payroll	\$ 53,170,669	\$ 55,192,000	\$ 58,319,000	\$ 61,398,000	\$ 57,628,000	\$ 64,063,176	\$ 65,964,751	\$ 58,416,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	117.42%	145.05%	162.29%	174.49%	169.05%	166.36%	176.29%	84.73%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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

All years prior to 2015 are not available.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.138%	0.152%	0.155%	0.158%	0.541%	0.161%	0.152%	0.171%
District's proportionate share of the net pension liability	\$ 15,682,000	\$ 22,346,000	\$ 30,547,000	\$ 37,697,000	\$ 40,639,971	\$ 47,052,228	\$ 50,350,928	\$ 34,728,000
District's covered payroll	\$ 14,501,000	\$ 16,784,000	\$ 18,556,000	\$ 20,134,000	\$ 20,314,000	\$ 22,578,046	\$ 23,886,014	\$ 24,502,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.23%	200.06%	208.40%	210.80%	141.74%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 4,901,009	\$ 6,257,620	\$ 8,293,425	\$ 8,315,675	\$ 10,377,930	\$ 11,271,612	\$ 11,490,876	\$ 13,096,460
Contributions in relation to the contractually required contribution	<u>(4,901,009)</u>	<u>(6,257,620)</u>	<u>(8,293,425)</u>	<u>(8,315,675)</u>	<u>(10,377,930)</u>	<u>(11,271,612)</u>	<u>(11,490,876)</u>	<u>(13,096,460)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 55,192,000	\$ 58,319,000	\$ 61,398,000	\$ 57,628,000	\$ 64,063,176	\$ 65,964,751	\$ 71,150,935	\$ 68,568,000
Contributions as a percentage of covered payroll	8.88%	10.73%	13.51%	14.43%	16.29%	17.10%*	16.15%**	16.92%***

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 1,975,605	\$ 2,198,301	\$ 2,796,613	\$ 3,155,035	\$ 4,077,595	\$ 4,710,322	\$ 5,071,914	\$ 6,442,879
Contributions in relation to the contractually required contribution	<u>(1,975,605)</u>	<u>(2,198,301)</u>	<u>(2,796,613)</u>	<u>(3,155,035)</u>	<u>(4,077,595)</u>	<u>(4,710,322)</u>	<u>(5,071,914)</u>	<u>(6,442,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,784,000	\$ 18,556,000	\$ 20,134,000	\$ 20,314,000	\$ 22,578,046	\$ 23,886,014	\$ 24,502,000	\$ 28,123,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NATOMAS UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General and Charter Schools Funds are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The changes in assumptions for the total OPEB liability include updates in the discount rate. Discount rates in the June 30, 2019, 2020, 2021 and 2022 measurements were 3.60%, 3.50%, 2.20%, 2.16% and 3.54%.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

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

<u>Assumptions</u>	<u>Measurement Period</u>						
	As of June 30, <u>2021</u>	As of June 30, <u>2020</u>	As of June 30 <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

NATOMAS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
ASSETS								
Cash in County Treasury	\$ -	\$ 23,742	\$ 221,675	\$ 2,700,475	\$ 11,424,409	\$ 10,431	\$ 9,268	\$ 14,390,000
Cash in banks	639,605	-	-	2,524	-	-	-	642,129
Receivables	-	52,635	369,021	2,792,081	342,766	37	33	3,556,573
Due from other funds	-	-	-	9	-	-	-	9
Stores inventory	-	-	-	46,786	-	-	-	46,786
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,786</u>
Total assets	<u>\$ 639,605</u>	<u>\$ 76,377</u>	<u>\$ 590,696</u>	<u>\$ 5,541,875</u>	<u>\$ 11,767,175</u>	<u>\$ 10,468</u>	<u>\$ 9,301</u>	<u>\$ 18,635,497</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 8,001	\$ 1,137	\$ 139,275	\$ 150,466	\$ -	\$ -	\$ 298,879
Unearned revenue	-	-	36,359	22,499	-	-	-	58,858
Due to other funds	-	17,031	75,849	285,091	160,418	-	-	538,389
	<u>-</u>	<u>17,031</u>	<u>75,849</u>	<u>285,091</u>	<u>160,418</u>	<u>-</u>	<u>-</u>	<u>538,389</u>
Total liabilities	<u>-</u>	<u>25,032</u>	<u>113,345</u>	<u>446,865</u>	<u>310,884</u>	<u>-</u>	<u>-</u>	<u>896,126</u>
Fund balances:								
Nonspendable	-	-	-	46,786	-	-	-	46,786
Restricted	639,605	51,345	477,351	5,048,224	11,456,291	10,468	9,301	17,692,585
	<u>639,605</u>	<u>51,345</u>	<u>477,351</u>	<u>5,048,224</u>	<u>11,456,291</u>	<u>10,468</u>	<u>9,301</u>	<u>17,692,585</u>
Total fund balance	<u>639,605</u>	<u>51,345</u>	<u>477,351</u>	<u>5,095,010</u>	<u>11,456,291</u>	<u>10,468</u>	<u>9,301</u>	<u>17,739,371</u>
Total liabilities and fund balances	<u>\$ 639,605</u>	<u>\$ 76,377</u>	<u>\$ 590,696</u>	<u>\$ 5,541,875</u>	<u>\$ 11,767,175</u>	<u>\$ 10,468</u>	<u>\$ 9,301</u>	<u>\$ 18,635,497</u>

NATOMAS UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
Revenues:								
Federal sources	\$ -	\$ -	\$ 136,000	\$ 8,320,116	\$ -	\$ -	\$ -	\$ 8,456,116
Other state sources	-	357,112	1,381,980	417,886	-	-	-	2,156,978
Other local sources	2,036,950	429	873	18,183	5,459,029	66	59	7,515,589
Total revenues	2,036,950	357,541	1,518,853	8,756,185	5,459,029	66	59	18,128,683
Expenditures:								
Current:								
Certificated salaries	-	98,100	393,536	-	-	-	-	491,636
Classified salaries	-	91,445	490,291	2,604,624	27,311	-	-	3,213,671
Employee benefits	-	64,772	387,407	934,706	12,351	-	-	1,399,236
Books and supplies	749,856	81,704	31,118	3,265,139	190,716	-	-	4,318,533
Contract services and operating expenditures	1,177,387	15,084	9,838	314,788	713,225	-	-	2,230,322
Capital outlay	-	-	-	150,903	10,521,397	-	-	10,672,300
Total expenditures	1,927,243	351,105	1,312,190	7,270,160	11,465,000	-	-	22,325,698
Excess (deficiency) of revenues over (under) expenditures	109,707	6,436	206,663	1,486,025	(6,005,971)	66	59	(4,197,015)
Other financing sources (uses):								
Transfers in	-	-	-	-	203,994	-	-	203,994
Transfers out	-	(17,031)	(75,899)	(285,091)	(160,418)	-	-	(538,439)
Total other financing sources (uses)	-	(17,031)	(75,899)	(285,091)	43,576	-	-	(334,445)
Net change in fund balances	109,707	(10,595)	130,764	1,200,934	(5,962,395)	66	59	(4,531,460)
Fund balances, July 1, 2021	529,898	61,940	346,587	3,894,076	17,418,686	10,402	9,242	22,270,831
Fund balances, June 30, 2022	\$ 639,605	\$ 51,345	\$ 477,351	\$ 5,095,010	\$ 11,456,291	\$ 10,468	\$ 9,301	\$ 17,739,371

NATOMAS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2022

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	Clerk	2024
Micah Grant	President	2024
Jag Bains	Vice President	2022
Ericka Harden	Member	2024
Lisa Kaplan	Member	2022

ADMINISTRATION

Chris Evans
Superintendent

Bill Young
Deputy Superintendent

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2022

<u>District</u>	Second Period Report	Annual Report
Certificate Number:	4A483019	1DF600CA
Elementary:		
Transitional Kindergarten through Third	3,179	3,183
Fourth through Sixth	2,162	2,166
Seventh through Eighth	1,133	1,134
Total Elementary	<u>6,474</u>	<u>6,483</u>
Secondary:		
Ninth through Twelfth	3,350	3,323
Total Secondary	<u>3,350</u>	<u>3,323</u>
 District ADA Totals	 <u>9,824</u>	 <u>9,806</u>

Charter Schools

Natomas Pacific Pathways Prep Elementary School

Certificate Number:	DFF71014	FB63E60E
Classroom-Based:		
Elementary:		
Transitional Kindergarten through Third	282	280
Fourth through Sixth	104	104
Total Natomas Pacific Pathways Prep Elementary School	<u>386</u>	<u>384</u>

Natomas Pacific Pathways Prep Middle School

Certificate Number:	D68D76ED	209E489C
Classroom-Based:		
Elementary:		
Fourth through Sixth	164	163
Seventh through Eighth	330	328
Total Natomas Pacific Pathways Prep Middle School	<u>494</u>	<u>491</u>

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2022

	Second Period <u>Report</u>	Annual <u>Report</u>
<u>Natomas Pacific Pathways Prep High School</u>		
Certificate Number:	30383888	3DF51CCE
Classroom-Based:		
Secondary:		
Ninth through Twelfth	613	610
Total Natomas Pacific Pathways Prep High School	<u>613</u>	<u>610</u>
<u>Westlake Charter School</u>		
Certificate Number:	C72F82AD	702B1078
Classroom-Based:		
Elementary:		
Transitional Kindergarten through Third	404	403
Fourth through Sixth	311	309
Seventh and Eighth	209	208
Total Elementary	<u>924</u>	<u>920</u>
Secondary:		
Ninth through Twelfth	123	123
Total Westlake Charter School	<u>1,047</u>	<u>1,043</u>
<u>Leroy Greene Academy Charter School</u>		
Certificate Number:	D059C16A	78963F1A
Classroom-Based:		
Elementary:		
Fourth through Sixth	92	91
Seventh and Eighth	242	238
Total Elementary	<u>334</u>	<u>329</u>
Secondary:		
Ninth through Twelfth	365	362
Total Leroy Greene Academy Charter School	<u>699</u>	<u>691</u>

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>District</u>				
Kindergarten	36,000	51,060	180	In Compliance
Grade 1	50,400	54,120	180	In Compliance
Grade 2	50,400	54,120	180	In Compliance
Grade 3	50,400	54,120	180	In Compliance
Grade 4	54,000	56,640	180	In Compliance
Grade 5	54,000	56,640	180	In Compliance
Grade 6	54,000	56,640	180	In Compliance
Grade 7	54,000	59,340	180	In Compliance
Grade 8	54,000	59,340	180	In Compliance
Grade 9	64,800	65,051	180	In Compliance
Grade 10	64,800	65,051	180	In Compliance
Grade 11	64,800	65,051	180	In Compliance
Grade 12	64,800	65,051	180	In Compliance
<u>Natomas Pacific Pathways Prep Elementary School - Classroom Based</u>				
Kindergarten	36,000	53,410	178	In Compliance
Grade 1	50,400	54,300	178	In Compliance
Grade 2	50,400	54,300	178	In Compliance
Grade 3	50,400	54,300	178	In Compliance
Grade 4	54,000	56,100	178	In Compliance
Grade 5	54,000	56,100	178	In Compliance
<u>Natomas Pacific Pathways Prep Middle School - Classroom Based</u>				
Grade 6	54,000	59,995	178	In Compliance
Grade 7	54,000	59,995	178	In Compliance
Grade 8	54,000	59,995	178	In Compliance

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>Natomas Pacific Pathways Prep High School - Classroom Based</u>				
Grade 9	64,000	64,715	178	In Compliance
Grade 10	64,000	64,715	178	In Compliance
Grade 11	64,000	64,715	178	In Compliance
Grade 12	64,000	64,715	178	In Compliance
<u>Westlake Charter School - Classroom Based</u>				
Kindergarten	36,000	50,310	177	In Compliance
Grade 1	50,400	56,040	177	In Compliance
Grade 2	50,400	56,040	177	In Compliance
Grade 3	54,000	56,040	177	In Compliance
Grade 4	54,000	56,040	177	In Compliance
Grade 5	54,000	56,040	177	In Compliance
Grade 6	54,000	62,620	177	In Compliance
Grade 7	54,000	62,620	177	In Compliance
Grade 8	54,000	62,620	177	In Compliance
Grade 9	64,000	68,604	177	In Compliance
Grade 10	64,000	68,604	177	In Compliance
Grade 11	64,000	68,604	177	In Compliance
Grade 12	64,000	68,604	177	In Compliance
<u>Leroy Green Academy - Classroom Based</u>				
Grade 6	54,000	62,620	180	In Compliance
Grade 7	54,000	62,620	180	In Compliance
Grade 8	54,000	62,620	180	In Compliance
Grade 9	54,000	67,347	180	In Compliance
Grade 10	54,000	67,347	180	In Compliance
Grade 11	54,000	67,347	180	In Compliance
Grade 12	64,800	67,347	180	In Compliance

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA: Basic and Local Assistance Part B, Sec 611	13379	\$ 2,054,441
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	13430	27,592
84.027A	Special Ed: IDEA: Mental Health Services, Part B, Sec 611	15321	142,698
84.027	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance	15638	311,522
84.173	Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	43,475
	Subtotal Special Education Cluster		<u>2,579,728</u>
	Title I Programs:		
84.010	ESSA: Title I, Part Basic Grants Low-Income and Neglected	14329	2,617,755
84.010	ESSA: School Improvement Funding for LEAs	15438	36,945
	Subtotal Title I Programs		<u>2,654,700</u>
	Title III Programs:		
84.365	ESSA: Title III, Immigrant Student Program	15146	28,545
84.365	ESSA: Title III, English Learner Student Program	14346	209,018
	Subtotal Title III Programs		<u>237,563</u>
84.048	ESEA (ESSA): Education for Homeless Children and Youth Subtitle VI-B McKinney-Vento Act	14332	75,655
84.181	Special Ed: IDEA Early Intervention Grants	23761	34,916
84.196	ESSA: Title IX, Part A, McKinney-Vento Homeless Assistance	15441	55,558
84.367	ESSA: Title II, Part A, Supporting Effective Instruction	14341	202,977
84.424	ESSA: Title IV, Part A, Student Support and Academic Enrichment	15396	54,250

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity	Federal
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	\$ 111,332
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	1,706,688
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	5,461,526
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	206,352
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	81,379
84.425	COVID-19: Expanded Learning Opportunities Grant: ESSER II State Reserve	15618	712,289
84.425	COVID-19: Expanded Learning Opportunities Grant: (ELO) Grant: GEER II	15619	152,649
84.425	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve Emergency Needs	15620	216,392
84.425	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve Learning Loss	15621	1,168,191
	Subtotal COVID-19: ESF Programs		9,816,798
	Total U.S. Department of Education		15,712,145
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13523	1,476,324
10.559	Child Nutrition: Summer Food Service Program Operations	13004	6,735,851
	Total Child Nutrition Cluster - U.S. Department of Agriculture		8,212,175
	Total Federal Programs		\$ 23,924,320

NATOMAS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2022
(UNAUDITED)

	(Budget) <u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 160,331,274	\$ 158,945,368	\$ 149,855,629	\$ 131,689,066
Expenditures	170,309,395	152,228,445	136,952,997	129,396,007
Other uses and transfers out	<u>50,000</u>	<u>-</u>	<u>36,158</u>	<u>187,557</u>
Total outgo	<u>170,359,395</u>	<u>152,228,445</u>	<u>136,989,155</u>	<u>129,583,564</u>
Change in fund balance	<u>\$ (10,028,121)</u>	<u>\$ 6,716,923</u>	<u>\$ 12,866,474</u>	<u>\$ 2,105,502</u>
Ending fund balance	<u>\$ 32,041,749</u>	<u>\$ 42,069,870</u>	<u>\$ 35,352,947</u>	<u>\$ 22,486,473</u>
Available reserves	<u>\$ 5,099,000</u>	<u>\$ 4,555,000</u>	<u>\$ 4,109,000</u>	<u>\$ 522,579</u>
Designated for economic uncertainties	<u>\$ 5,099,000</u>	<u>\$ 4,555,000</u>	<u>\$ 4,109,000</u>	<u>\$ 522,579</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>0.4%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 521,233,852</u>	<u>\$ 532,594,996</u>	<u>\$ 631,868,070</u>	<u>\$ 478,002,221</u>
Average daily attendance at P-2, excluding Charter School	<u>10,126</u>	<u>9,824</u>	<u>10,009</u>	<u>10,009</u>

The fund balance of the General Fund has increased by \$21,688,899 over the past three years. The District incurred operating surpluses in each of the past three years, but anticipates incurring an deficit of \$10,028,121 during the 2022-2023 fiscal year. For a district this size, the State requires available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

Total long-term liabilities have increased by \$54,592,775 over the past two years.

Average daily attendance has decreased by 185 over the past two years. The District anticipates an increase of 302 ADA for the 2022-2023 fiscal year.

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2022

<u>Charter #</u>	<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
1803	NP3 (Natomas Pacific Pathway Prep) Elementary School	Included in the Charter Schools Fund
1106	NP3 (Natomas Pacific Pathway Prep) Middle School	Included in the Charter Schools Fund
0823	NP3 (Natomas Pacific Pathway Prep) High School	Included in the Charter Schools Fund
0711	Westlake Charter School	Included in the Charter Schools Fund
1405	Leroy Greene Academy Charter School	Included in the Charter Schools Fund
0019	Natomas Charter School	Separate Report

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENSES
For the Year Ended June 30, 2022

	First 5 <u>Grant</u>
Revenues	
Other local sources	\$ 276,989
	<u> </u>
Expenditures:	
Certificated salaries	28,752
Classified salaries	152,165
Employee benefits	65,895
Books and supplies	10,434
Contract services and operating expenditures	3,917
Indirect costs	15,826
	<u> </u>
Total expenditures	276,989
	<u> </u>
Change in fund balance	-
Fund balance, July 1, 2021	-
	<u> </u>
Fund balance, June 30, 2022	\$ -
	<u> </u>

NATOMAS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance: Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

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

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2022-23 fiscal year, as required by the State Controller's Office. The information on this schedule has been derived from audited information.

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

Schedule of First 5 Revenues and Expenditures: This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2022, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Natomas Unified School District
Sacramento, California

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Natomas Unified School District's compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2022.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes

(Continued)

In Person Instruction Grant	Yes
Attendance - charter schools	Yes
Mode of Instruction - charter schools	Yes
Nonclassroom-Based Instruction/Independent Study - charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction - charter schools	No, see below
Annual Instructional Minutes - Classroom-Based - charter schools	Yes
Charter School Facility Grant Program – charter schools	No, see below

The District did not offer a qualifying Early Retirement Incentive during the current audit year; therefore, we did not perform any procedures related to this program.

The District does not operate any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not operate any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not report any qualifying hours for Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.

The District did not operate as a District of Choice; therefore, we did not perform any procedures related to District of Choice.

The District did not report any average daily attendance from Independent Study-Course Based programs; therefore, we did not perform any procedures related to this Independent Study-Course Based.

The District submitted timely immunization assessment reports to the California Department of Public Health for all sites; therefore, we did not perform any procedures related to Immunizations program.

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

The District did not participate in the Charter School Facility Grant Program in the audit year; therefore, we did not perform any procedures for the Charter School Facility Grant Program.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Natomas Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2022.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

As described in Findings 2022-001 and 2022-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Natomas Unified School District did not comply with the requirements regarding Instructional Materials and Independent Study. Compliance with such requirements is necessary, in our opinion, for Natomas Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

Other Matter

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 8, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Natomas Unified School District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Natomas Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Natomas Unified School District's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Natomas Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Natomas Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Natomas Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Natomas Unified School 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 8, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE FIRST 5
SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

Board of Trustees
Natomas Unified School District
Sacramento, California

Report on Compliance

Opinion on the First 5 Sacramento County Program

We have audited Natomas Unified School District's compliance with the types of requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2022.

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, 2022.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the First 5 Sacramento County Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the First 5 Sacramento County Program Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the First 5 Sacramento County Program Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 the First 5 Sacramento County 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 the First 5 Sacramento County 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 the First 5 Sacramento County 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 First 5 Sacramento County Program Guidelines. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 8, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Natomas Unified School District
Sacramento, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Natomas Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Natomas Unified School District's major federal programs for the year ended June 30, 2022. Natomas Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Natomas Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Natomas Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Natomas Unified School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Natomas Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Natomas Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we,

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Natomas Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Natomas Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Natomas Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 8, 2022

FINDINGS AND RECOMMENDATIONS

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' 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 not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

<u> </u> Yes	<u> X </u> No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<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)?

<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425C, 84.425U	COVID-19: ESF Programs
84.027, 84.173, 84.027A	Special Education Cluster

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

Auditee qualified as low-risk auditee?

<u> X </u> Yes	<u> </u> No
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STATE AWARDS

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

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-001 – STATE COMPLIANCE – INSTRUCTIONAL MATERIALS (70000)

Criteria:

California Education Code Section 60119 (1)(B) requires the District to hold a public hearing on or before the end of the eighth week from the first day pupils attend school for that year.

Condition:

The District held the public hearing required by California Education Code Section 60119 (1)(B) regarding the sufficiency of instructional materials on October 13, 2021, which was more than eight weeks after the first day of the 2021-2022 school year.

Effect:

The District is not in compliance with State requirements for Instructional Materials, including Education Code Section 60119 (1)(B).

Cause:

The District held the required public hearing on the sufficiency of instructional materials on the 9th week of the 2021-2022 school year rather than the required 8th week. Inspections related to instructional materials sufficiency performed by the District's County Office of Education were not performed early enough to allow the District adequate time to compile materials for the board meeting scheduled within the 8 week period.

Recommendation:

The District management team should coordinate with County Office personnel to ensure that underlying steps leading up to the hearings on the sufficiency of instructional materials are completed with adequate time to facilitate the instructional materials hearing prior to the eighth week after start of the school year.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs that the District was not in compliance with the public hearing requirements of Education Code Section 60119 (1)(B). The District has updated procedures to ensure that such required public hearings and board resolutions are held no later than the eighth week after the first day of the school year, for future years.

(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2022-002 – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Criteria:

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Section 401 and 421 (b) and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support attendance report to the State of California.

Condition:

The District was unable to provide completed signed independent study agreements and/or other relevant required information for a total of 25 students claimed for independent study attendance,

Context:

We performed the audit procedures enumerated in the *2021-22 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect:

The District is out of compliance with State requirements for Independent Study.

Cause:

The error was caused by the District's inability to provide completed supporting documentation for independent study students files selected for testing.

Fiscal Impact:

The fiscal impact of the finding is 1.45 ADA which is the cumulative ADA generated by the selected student sample during the time period while they were on independent study.

Recommendation:

The District should enforce controls to ensure signed independent study agreements and required work samples are maintained for all students claimed for ADA in the independent study program.

Views of Responsible Officials and Planned Corrective Action:

The District concurs with the auditor's recommendation and will continue to provide training to staff who are responsible for documenting independent study agreements and maintaining student work at the school sites.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

NATOMAS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2022

2021-001: INTERNAL CONTROL – FINANCIAL CLOSE AND RECONCILIATION (3000)

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.

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 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.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.