



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Board of Education and
Independent Citizens' Bond Oversight
Committee for Measure M
Natomas Unified School District
Sacramento, California

We have performed the procedures enumerated in Attachment II, which were agreed to by Natomas Unified School District (the "District") and the Independent Citizens' Bond Oversight Committee for Measure M (the "Committee"), solely to assist the Committee in evaluating District management's assertions concerning disbursements of bond funds as of June 30, 2003 as detailed in Attachment III. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the District and the Committee. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and conclusions reached as a result of these procedures are identified in Attachment II.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Natomas Unified School District and the Independent Citizens' Bond Oversight Committee for Measure M and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Perry-Smith LLP

October 13, 2003

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION**

LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate.

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS

On November 5, 2002, the electorate of the Natomas Unified School District approved the \$45.88 million Measure M general obligation bonds with greater than 55% of the votes in favor. The text of the ballot language was as follows:

In order to enable the Natomas Unified School District to continue providing exceptional educational opportunities, shall the District issue \$45.88 million in bonds, at interest rates within legal limits, to acquire, construct, modernize, repair, replace and equip its school facilities to meet safety and instructional needs, accommodate future growth, and create additional space for student class size reduction, additional educational programs and other needs, subject to oversight by an independent citizens' committee as legally required?

The project list identified in the ballot language was specified in greater detail by the Natomas Unified School District Board of Education at its December 19, 2002 meeting. This specific project list is provided below:

American Lakes Elementary School

The District plans to undertake the following specific capital improvements projects at the American Lakes Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer lab equipment and related infrastructure
- Make roof drainage improvements
- Repair, renovate and modernize existing school facilities
- Construct new library

Bannon Creek Elementary School

The District plans to undertake the following specific capital improvements projects at the Bannon Creek Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Expand existing parking lot
- Acquire and install wireless computer lab equipment and related infrastructure
- Construct improvements to provide additional cafeteria storage
- Renovate and modernize kindergarten playground and structures

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION**
(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS
(Continued)

Jefferson Elementary School

The District plans to undertake the following specific capital improvements projects at the Jefferson Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer lab equipment and related infrastructure
- Construct improvements to provide additional cafeteria storage
- Renovate and modernize kindergarten playground and structures

Natomas Park Elementary School

The District plans to undertake the following specific capital improvements projects at the Natomas Park Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer lab equipment and related infrastructure

Witter Ranch Elementary School

The District plans to undertake the following specific capital improvements projects at the Witter Ranch Elementary School Campus:

- Acquire, construct and install new shade structures for student safety

Two Rivers Elementary School

The District plans to undertake the following specific capital improvements projects at the Two Rivers Elementary School Campus:

- Acquire, construct and install new shade structures for student safety
- Acquire and install wireless computer lab equipment and related infrastructure

Elementary School Sites in Northborough, Natomas Crossing, and West Lake Areas

The District plans to undertake the following specific capital acquisition and construction projects:

- Acquisition of site for construction of elementary school to accommodate future growth
- Construction of new elementary school facilities as required to supplement local and State funding sources

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION
(Continued)**

**NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS
(Continued)**

Future Elementary School Sites 10, 11 & 12

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of sites for construction of elementary schools to accommodate future growth

Natomas Middle School

The District plans to undertake the following specific capital improvements projects at the Natomas Middle School Campus:

- Acquire and install wireless computer lab equipment and related infrastructure
- Purchase school site and facilities constituting the existing middle school, which are currently being leased

Leroy Greene Middle School

The District plans to undertake the following specific capital improvements projects at the Leroy Greene Middle School Campus:

- Acquire and install wireless computer lab equipment and related infrastructure

Middle School in North Point Area

The District plans to undertake the following specific capital acquisition and construction projects:

- Acquire and install wireless computer lab equipment and related infrastructure
- Construction of new middle school as required to supplement local and State funding sources

Future Middle School No. 4

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of site for construction of new middle school to accommodate future growth

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION**
(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS
(Continued)

Natomas High School

The District plans to undertake the following specific capital improvements projects at the Natomas High School Campus:

- Build swimming pool complex and related facilities including: pool, pump and filtration system with structure, locker rooms, showers, bleachers, diving boards, life guard chairs and necessary equipment

Discovery High School

The District plans to undertake the following specific capital improvements projects at the Natomas High School Campus:

- Construct Rosin Sewer Extension as required by City of Sacramento
- Paint exterior of high school

Future Second High School

The District plans to undertake the following specific capital acquisition projects:

- Construction of new high school as required to supplement local and State funding sources

Future High School No. 3

The District plans to undertake the following specific capital acquisition projects:

- Acquisition of site for construction of third high school to accommodate future growth, to the extent full cost is not provided in real estate trade with Los Rios Community College District

Natomas Charter School

The District plans to undertake the following specific capital improvement projects at the Natomas Charter School Campus:

- Construct new theater facility

**NATOMAS UNIFIED SCHOOL DISTRICT
BACKGROUND INFORMATION**
(Continued)

NATOMAS UNIFIED SCHOOL DISTRICT MEASURE M GENERAL OBLIGATION BONDS
(Continued)

District-Wide Improvements

The District plans to undertake the following specific capital acquisitions and improvement projects:

- Purchase and install solar tubes to provide lighting for portable buildings
- Purchase and install security television cameras to provide greater campus safety
- Purchase and install central freezer for the district-wide cafeteria program
- Construct a central kitchen for the district-wide cafeteria program
- Acquire new buses and other District vehicles to accommodate student growth

The above listing does not suggest any particular priority for construction amongst the proposed projects.

All bond expenditures are subject to review by a Citizens Oversight Committee which reports to the public, as provided in Education Code Section 15278 *et seq.*

**NATOMAS UNIFIED SCHOOL DISTRICT
PROCEDURES PERFORMED AND CONCLUSIONS**

PROCEDURES PERFORMED

Natomas Unified School District provided to us a list of all Measure M project expenditures (the "List"). A total of 61 warrants were identified representing \$2,196,300 in expenditures from July 1, 2002 to June 30, 2003. We performed the following procedures to the List of Measure M bond expenditures:

- Verified the mathematical accuracy of the List.
- Selected a sample of 8 expenditures totaling \$1,920,356. The sample was selected to provide a representation across specific construction projects, vendors, and expenditure amounts. The audit sample represented 13% of the total number of expenditures and 87% of the total expenditure value. Verified that funds were used for the construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and that funds were not spent for salaries or other administrative expenses.

CONCLUSIONS

- The List was mathematically accurate.
- Each of the 8 expenditures tested represented valid Bond expenditures, were properly charged to the location indicated, were properly coded as to the nature of the expenditure, and were determined to represent construction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities and were not spent for salaries or other administrative expenses.

REVISED
June 2004

NATOMAS UNIFIED SCHOOL DISTRICT
 MEASURE M GENERAL OBLIGATION BONDS

Fiscal Year Ended June 30, 2003

	Fiscal Year Ended June 30, 2003
Revenues:	
Proceeds from issuance of Bonds	\$ 15,295,000
Interest and investment income	<u>241,022</u>
	<u>15,536,022</u>
Expenditures:	
Contract services	142,454
Capital outlay	42,926
Interfund transfers	<u>2,010,920(1)</u>
	<u>2,196,300</u>
Net activity	13,339,722
Fund balance:	
Beginning of year	<u> </u>
End of year	<u>\$ 13,339,722</u>

(1) Represents transfers to reimburse the District for costs paid out of other funds:

Northborough site acquisition	\$ 1,850,000
Charter School theater construction	158,991
American Lakes renovations	<u>1,929</u>
	<u>\$ 2,010,920</u>

REVISED
June 12, 2004

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE M GENERAL OBLIGATION BONDS
FUND UPDATE**

June 30, 2003

<u>Description</u>	<u>Activity To Date</u>
<u>Revenues</u>	
Bond Proceeds	\$ 15,295,000
Investment Income	241,022
Bond Issuance Costs	<u>(138,769)</u>
Net Revenues	<u>15,397,253</u>
<u>Expenditures</u>	
American Lakes Elementary School Repairs and Renovations Library	\$ 1,929 <u>772</u> 2,701
Bannon Creek Elementary School Parking Lot Playground Kitchen	4,489 1,251 <u>1,612</u> 7,352
Jefferson Elementary School Playground Kitchen	1,251 <u>1,612</u> 2,863
Northborough Elementary School Site Acquisition	1,850,000
Natomas High School Swimming Pool	33,228
Natomas Charter School Theater	158,991
District-Wide Kitchen Solar Tubes	1,213 <u>1,183</u> 2,396
Total Expenditures, July 1, 2002 to June 30, 2003	<u>2,057,531</u>
Total Available Funds, June 30, 2003	<u>\$ 13,339,722</u>