

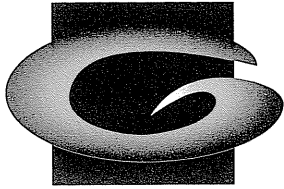
NATOMAS UNIFIED SCHOOL DISTRICT

AGREED-UPON PROCEDURES

MEASURE M AND MEASURE D

GENERAL OBLIGATION BONDS

JUNE 30, 2007



Gilbert Associates, Inc.
CPAs and Advisors

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

Natomas Unified School District and
Citizens' Bond Oversight Committee
1901 Arena Boulevard
Sacramento, California 95834

We have performed the procedures enumerated below, which were agreed to by Natomas Unified School District (District) and the Citizens' Bond Oversight Committee (the specified parties, collectively), solely to assist the District in documenting its compliance with the regulations of article XIII A, Section 1(b) (3) of the California Constitution for the twelve month period ending June 30, 2007. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. As directed by the specified parties, we selected a sample of project costs identified by the District. (Sample size the lesser of 40% of expenditures or 40 transactions incurred during the fiscal year ended June 30, 2007).
2. For the selected expenditures we performed the following:
 - a. Agreed expenditures to supporting documentation including requisitions, invoices, purchase orders and construction contracts. No exceptions were found as a result of applying this procedure.
 - b. Verified that expenditures were in compliance with the regulation of the article XIII A, Section 1 (b)(3) of the California Constitution and construction projects outlined by Measure M and Measure D. No exceptions were found as a result of applying this procedure.
 - c. Verified that expenditures were not used for teacher and administrator salaries or other school operating expenses. No exceptions were found as a result of applying this procedure.
3. Obtained an understanding of the system used by the District for monitoring project expenditures and reviewed expenditures for appropriate compliance with the system. No exceptions were found as a result of applying this procedure.

**Natomas Unified School District and
Citizens' Bond Oversight Committee
Page 2**

4. Updated Background Information with District staff for the fiscal year ended June 30, 2007. See Attachment I for this listing.
5. Prepared a Measure M Schedule of Revenues, Expenditures, and Changes in Fund Balance for the fiscal year ended June 30, 2007, and for the period from July 1, 2002 through June 30, 2007. See Attachment II for this schedule.
6. Prepared a Measure M Schedule of Expenditures by Project and Bond Funds available for the fiscal year ended June 30, 2007 and for the period from July 1, 2002 through June 30, 2007. See Attachment III for this schedule.
7. Prepared a Measure D Schedule of Revenues, Expenditures, and Changes in Fund Balance for the fiscal year ended June 30, 2007. See Attachment IV for this schedule.
8. Prepared a Measure D Schedule of Expenditures by Project and Bond Funds available for the fiscal year ended June 30, 2007. See Attachment V for this schedule.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Districts compliance with the regulations of article XIII A, Section 1 (b)(3) of the California Constitution. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Natomas Unified School District and the Citizen's Bond Oversight Committee, and is not intended to be and should not be used by anyone other than those specified parties.

Gilbert Associates, Inc.

**GILBERT ASSOCIATES, INC.
January 14, 2008**

**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.

The Citizens' Bond Oversight Committee directed Gilbert Associates, Inc. to perform procedures 1 through 8 reported on pages 1 and 2 to meet the requirements of "an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed" as required in the California Constitution, Article 13A, Section 1.(C). The requirements of the annual independent financial audit required in the California Constitution, Article 13A, Section 1.(D) are included in the Natomas Unified School District's annual financial audit.

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:

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

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

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 equipment and related infrastructures
- 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 equipment and related infrastructures

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

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 equipment and related infrastructures

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

Future Elementary School Sites 10, 11 & 12

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

- Acquisition of site for construction of elementary school to accommodate future growth

Natomas Middle School

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

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

Leroy Greene Middle School

The District plans to undertake the following specific capital acquisition and construction projects at the Leroy Green 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 elementary school to accommodate future growth

Natomas High School

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

- Building 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

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

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

District-Wide Improvements

The District plans to undertake the following specific capital acquisitions and improvements 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 busses and other District vehicles to accommodate student growth

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

MEASURE D GENERAL OBLIGATION BONDS

On June 6, 2006 the electorate of the Natomas Unified School District approved the \$145.5 million Measure D general obligation bonds with greater than 55% of the votes in favor. The text of the ballot language was as follows:

“To improve the quality of education throughout Natomas, shall the Natomas Unified School District provide additional classrooms, construct facilities, modernize classrooms, renovate playfields, improve access to schools for students, staff and the community, and become eligible for additional State funding by issuing \$145,500,000 in bonds at an interest rate not to exceed the statutory limit, reviewed by a citizens’ oversight committee, independent audits, and NO money for administrator salaries?”

The project list identified in the ballot language was specified in greater detail by the Natomas Unified School District Board of Education at its February 8, 2006 meeting. This specific project list is provided below:

- I. NEW SCHOOLS – SITE ACQUISITION, CONSTRUCTION, FURNISHING AND EQUIPMENT
- Creekside Elementary School
 - Creekside Middle School
 - West Lakeside School
 - Forecast School
 - Westlake Charter School
 - Sacramento Valley Technical High School
- II. COMPLETION OF SCHOOLS – CONSTRUCTION, FURNISHING AND EQUIPMENT
- Inderkum High School
 - Heron School
 - Inderkum High School and Creekside School Financing

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

III. CAMPUS INFRASTRUCTURE, FACILITIES AND EQUIPMENT

- Athletic fields and tracks upgrade
- Security systems
- Shade structures
- Safe walking routes
- Playground improvements
- Preschool facilities
- Grade configuration conversions
- Natomas Charter School facilities

IV. DISTRICT TECHNOLOGY AND EQUIPMENT

- Computers, computer labs and support networks and infrastructure
- Buses and service vehicles

The above listing for both measures 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
MEASURE M GENERAL OBLIGATION BONDS**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

**For the Fiscal Year Ended June 30, 2007
and for the Period from July 1, 2002 Through June 30, 2007**

	Fiscal Year Ended <u>June 30, 2007</u>	July 1, 2002 Through <u>June 30, 2007</u>
Revenues:		
Proceeds from issuance of Bonds	\$ -	\$ 45,879,687
Interest and investment income	281,917	1,495,921
All other local revenue	389,738	389,738
Interfund transfers	-	3,014,507
	<hr/>	<hr/>
Total Revenues	671,655	50,779,853
Expenditures:		
Classified salaries	-	554
Employee benefits	-	55
Equipment and supplies	2,473	982,387
Contract services	-	565,820
Fiscal agent fees and bond issuance costs	13,379	414,538
Capital outlay	3,010,451	46,281,032
Debt service interest	-	539,062
	<hr/>	<hr/>
Total Expenditures	3,026,303	48,783,448
Net Activity	(2,354,648)	1,996,405
Fund Balance:		
Fund balance - beginning	4,351,053	-
Fund balance - ending	<u>\$ 1,996,405</u>	<u>\$ 1,996,405</u>

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

**SCHEDULE OF EXPENDITURES BY PROJECT
AND BOND FUNDS AVAILABLE**

**For the Fiscal Year Ended June 30, 2007
and for the Period from July 1, 2002 Through June 30, 2007**

	Fiscal Year Ended June 30, 2007	July 1, 2002 Through June 30, 2007
Revenues:		
Proceeds from issuance of Bonds	\$ -	\$ 45,879,687
Interest and investment income	281,917	1,495,921
All other local revenue	389,738	389,738
Interfund transfers	-	3,014,507
	<u>671,655</u>	<u>50,779,853</u>
Expenditures:		
Debt service interest	-	539,062
Fiscal agent fees and bond issuance costs	13,379	414,538
<u>American Lakes Elementary School</u>		
Repairs and renovations	20,623	7,906,055
Library	91	1,370,450
Wireless lab	-	131,754
	<u>20,714</u>	<u>9,408,259</u>
<u>Bannon Creek Elementary School</u>		
Parking lot	-	204,696
Playground	-	166,553
Kitchen	-	323,522
Wireless lab	-	133,282
	<u>-</u>	<u>828,053</u>
<u>Jefferson Elementary School</u>		
Playground	-	165,965
Kitchen	-	290,553
Wireless lab	-	129,175
	<u>-</u>	<u>585,693</u>
<u>Natomas Park Elementary School</u>		
Wireless lab	-	85,867
<u>Inderkum High School</u>		
Site construction	-	15,000,000

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

**SCHEDULE OF EXPENDITURES BY PROJECT
AND BOND FUNDS AVAILABLE**

(Continued)

**For the Fiscal Year Ended June 30, 2007
and for the Period from July 1, 2002 Through June 30, 2007**

	Fiscal Year Ended <u>June 30, 2007</u>	July 1, 2002 Through <u>June 30, 2007</u>
<u>Northborough II Elementary School</u>		
Site acquisition	\$ -	\$ 5,699,395
Supplemental Funding	-	1,484,386
	<u>-</u>	<u>7,183,781</u>
<u>Two Rivers Elementary School</u>		
Wireless lab	-	83,004
<u>Leory Green Middle School</u>		
Wireless lab	-	145,842
<u>Natomas Middle School</u>		
Wireless lab	-	162,242
Repairs and renovations	-	2,866,840
	<u>-</u>	<u>3,029,082</u>
<u>Natomas High School</u>		
Swimming pool	-	2,882,754
<u>Natomas Charter School</u>		
Theater	2,995,343	4,608,680
<u>District-Wide</u>		
Kitchen	(3,133)	2,897,201
Solar tubes	-	242,504
Surveillance Equipment	-	196,850
Wireless lab	-	18,006
Bus\Vehicles Purchase	-	634,272
	<u>(3,133)</u>	<u>3,988,833</u>
Total Expenditures	<u>3,026,303</u>	<u>48,783,448</u>
Net Activity	<u>(2,354,648)</u>	<u>1,996,405</u>
Bond Funds Available:		
Bond Funds Available - beginning	4,351,053	-
Bond Funds Available - ending	<u>\$ 1,996,405</u>	<u>\$ 1,996,405</u>

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2007

	Fiscal Year Ended <u>June 30, 2007</u>
Revenues:	
Proceeds from issuance of Bonds	\$ 60,000,000
Interest and investment income	1,625,050
Interfund transfers	<u>251,245</u>
Total Revenues	<u>61,876,295</u>
Expenditures:	
Equipment and supplies	97,887
Fiscal agent and audit fees	16,539
Capital outlay	<u>2,905,910</u>
Total Expenditures	<u>3,020,336</u>
Net Activity	58,855,959
Fund Balance:	
Fund balance - beginning	-
Fund balance - ending	<u><u>\$ 58,855,959</u></u>

**NATOMAS UNIFIED SCHOOL DISTRICT
MEASURE D GENERAL OBLIGATION BONDS**

**SCHEDULE OF EXPENDITURES BY PROJECT
AND BOND FUNDS AVAILABLE**

For the Fiscal Year Ended June 30, 2007

	Fiscal Year Ended June 30, 2007
Revenues:	
Proceeds from issuance of Bonds	\$ 60,000,000
Interest and investment income	1,625,050
Interfund transfers	251,245
	61,876,295
Total Revenues	
	61,876,295
Expenditures:	
Fiscal agent and audit fees	16,539
<u>Inderkum High School</u>	
Athletic Fields & Track upgrade	28,911
<u>Natomas High School</u>	
Athletic Fields & Track upgrade	29,979
<u>Forecast Elementary</u>	
Construction	15,715
<u>Westlake Charter</u>	
Site acquisition	309,492
<u>Heron School</u>	
Supplemental Funding	797,289
<u>West Lakeside ES</u>	
Construction	888,500
<u>Natomas Charter School</u>	
Theater	314,805
Gymnasium	471,406
	786,211
<u>District-Wide</u>	
Computer and Support Infrastructure	147,700
	3,020,336
Total Expenditures	
	3,020,336
Net Activity	
	58,855,959
Bond Funds Available:	
Bond Funds Available - beginning	-
Bond Funds Available - ending	\$ 58,855,959