

# EMERY UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2017



COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT  
CERTIFIED PUBLIC ACCOUNTANTS

**EMERY UNIFIED SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2017**

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Emery Unified School District  
Emeryville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Emery Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Emery Unified School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emery Unified School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 10, the budgetary comparison information on page 52, the schedule of funding progress on page 53, the schedule of proportionate share of the net pension liability on page 54 and the schedule of contributions on page 55, be presented to supplement the basic financial statements. Such information, although not 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Emery Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of Emery 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 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 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 Emery Unified School District's internal control over financial reporting and compliance.

*CWDL, Certified Public Accountants*

San Diego, California  
December 14, 2017

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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This section of the Emery Unified School District’s annual financial report presents management’s discussion and analysis of the District’s financial performance during the fiscal year that ended June 30, 2017. Please read it in conjunction with the Independent Auditor’s Report presented on page 1, and the District’s financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 11 and 12, provide information about the activities of the District as a whole and present a longer-term view of the District’s finances. The fund financial statements for governmental activities, presented on pages 13 through 16, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. The remaining statement on page 17 provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

**FINANCIAL HIGHLIGHTS**

- Total fund balance for the General Fund was \$4,015,307 at June 30, 2017. This was an increase of \$581,530 from the prior year.
- Capital assets increased \$13,108,605 due primarily to increases in construction-in-process, net of depreciation on other capital assets.
- Total long-term liabilities increased \$6,109,007 during the 2016-17 fiscal year. The Schedule of Changes in Long-Term Liabilities on page 34 provides additions and deductions to the District’s liabilities.
- The District’s P-2 average daily attendance (ADA), excluding adult education, decreased 19 from 669 ADA in fiscal year 2015-16 to 650 ADA in fiscal year 2016-17.



**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**THE FINANCIAL REPORT**

The full annual financial report consists of four separate parts, including the basic financial statements, required supplementary information, other supplementary information and Management's Discussion and Analysis. The four sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
  - ❖ Basic services funding is described in the governmental fund statements. These statements include short-term financing and identify the balance remaining for future spending.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's fiscal year ending June 30, 2017 is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**THE FINANCIAL REPORT, continued**

Reporting the District as a Whole, continued

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds:

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds*

The major governmental funds of the Emery Unified School District for the 2016-17 year are the General Fund, Building Fund, and the Bond Interest and Redemption Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

*Proprietary Funds*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds*

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

GOVERNMENTAL ACTIVITIES

The District's net position decreased from \$16,210,076 at June 30, 2016 to \$12,144,126 at June 30, 2017, approximately 25.1%. Net position decreased by \$4,065,950.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 11,410,394	\$ 28,017,376	\$ (16,606,982)
Capital assets	95,257,618	82,149,013	13,108,605
Deferred outflows	1,801,532	1,487,745	313,787
<b>Total Assets and Deferred Outflows</b>	<b>108,469,544</b>	<b>111,654,134</b>	<b>(3,184,590)</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	2,341,528	8,267,104	5,925,576
Net pension liability	8,701,714	7,880,672	(821,042)
Long-term liabilities	84,514,670	78,405,663	(6,109,007)
Deferred inflows	767,506	922,059	154,553
<b>Total Liabilities and Deferred Inflows</b>	<b>96,325,418</b>	<b>95,475,498</b>	<b>(849,920)</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,886,564	17,207,587	(4,321,023)
Restricted	4,658,788	5,557,276	(898,488)
Unrestricted	(5,401,226)	(6,554,787)	1,153,561
<b>Total Net Position</b>	<b>\$ 12,144,126</b>	<b>\$ 16,210,076</b>	<b>\$ (4,065,950)</b>

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE, continued**

GOVERNMENTAL ACTIVITIES, continued

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 7,601	\$ 12,000	\$ (4,399)
Operating grants and contributions	3,725,116	19,121,286	(15,396,170)
General revenues			
Property taxes	10,874,161	11,877,002	(1,002,841)
Unrestricted federal and state aid	2,778,407	1,276,504	1,501,903
Other	2,947,078	1,053,914	1,893,164
<b>Total Revenues</b>	<b>20,332,363</b>	<b>33,340,706</b>	<b>(13,008,343)</b>
<b>EXPENSES</b>			
Instruction	7,293,800	5,844,017	1,449,783
Instruction-related services	1,303,803	1,280,045	23,758
Pupil services	1,280,930	1,128,030	152,900
General administration	1,485,279	1,282,815	202,464
Plant services	1,495,189	1,720,885	(225,696)
Interest	9,672,710	8,207,814	1,464,896
Other outgo	1,866,602	1,807,446	59,156
<b>Total Expenses</b>	<b>24,398,313</b>	<b>21,271,052</b>	<b>3,127,261</b>
<b>Change in net position</b>	<b>(4,065,950)</b>	<b>12,069,654</b>	<b>(16,135,604)</b>
<b>Net Position - Beginning</b>	<b>16,210,076</b>	<b>4,140,422</b>	<b>12,069,654</b>
<b>Net Position - Ending</b>	<b>\$ 12,144,126</b>	<b>\$ 16,210,076</b>	<b>\$ (4,065,950)</b>

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE, continued**

GOVERNMENTAL ACTIVITIES, continued

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 930,622	\$ 930,622	\$ -
Construction in progress	14,807,508	-	14,807,508
Land improvements	1,452,572	1,452,572	-
Buildings & improvements	86,925,087	86,925,087	-
Furniture & equipment	501,758	471,558	30,200
Accumulated depreciation	(9,359,929)	(7,630,826)	(1,729,103)
<b>Total Capital Assets</b>	<b>\$ 95,257,618</b>	<b>\$ 82,149,013</b>	<b>\$ 13,108,605</b>

Capital assets increased \$13,108,605 due primarily to the increases in construction-in-process.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
General Obligation bonds	\$ 81,200,818	\$ 75,065,704	\$ 6,135,114
Public facilities loan	2,454,256	2,596,623	(142,367)
Compensated absences	26,113	22,484	3,629
Other post-employment benefits (OPEB)	833,483	720,852	112,631
<b>Total Long-term Liabilities</b>	<b>\$ 84,514,670</b>	<b>\$ 78,405,663</b>	<b>\$ 6,109,007</b>

The general obligation bonds and accrued interest are financed by the local taxpayers and represent 96.1% of the District's total long-term liabilities. The public facility loan is financed by RDA pass-thru funds and represents 2.9% of the District's total long-term liabilities. The remaining components of the District's total long-term liabilities account for 1.0% of the District's total long-term liabilities and are financed by various District funds.

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget throughout the year. The original budget is presented on page 52 of the audit report.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District currently provides health benefits to all employees who retire after attaining the age of 55 until age 65 provided the employee has met certain service requirements. The District's cost for health benefits is a concern to the District and has resulted in a continued search for solutions to this issue.

Based on the most recent student enrollment information available, the District anticipates no change in student enrollment during fiscal year 2017-18. Since student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California, no change indicates that the District's Local Control Funding Formula will also remain stable.

The State's economic situation is also a major factor affecting the District's future. The financial well-being of the District is tied in large measure to the State's K-12 funding as prescribed by Proposition 98. Although Proposition 98 funding is generally referred to as a "guarantee", when the state applies a deficit factor to a district's funding or reduces the required payment, as happened in both the 2011-12 and the 2012-13 fiscal years respectively, the funding can no longer be considered a "guarantee". The State with its new funding model, Local Control Funding Formula, proposes to increase funding to schools to the 2008 funding levels by 2020.

As LCFF funding is near its full implementation, the large funding growth is behind us. The District is faced with unrestrained expenses (employer contributions to retirement benefits are expected to rise annually, along with medical premiums, special education costs and inflation among others). The District will continue to plan accordingly to meet its present and future educational needs while maintaining fiscal solvency.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Business Office, Emery Unified School District, 4727 San Pablo Ave, Emeryville, California 94608.

**EMERY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,468,772
Accounts receivable	398,686
Due from grantor government	1,542,097
Stores inventory	839
Capital assets, not depreciated	15,738,130
Capital assets, net of accumulated depreciation	79,519,488
<b>Total Assets</b>	<b>106,668,012</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension contributions	1,801,532
<b>LIABILITIES</b>	
Accrued liabilities	2,319,369
Unearned revenue	22,159
Net pension liability	8,701,714
Long-term liabilities, current portion	2,535,778
Long-term liabilities, non-current portion	81,978,892
<b>Total Liabilities</b>	<b>95,557,912</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unrealized gains on pension investments	767,506
<b>NET POSITION</b>	
Net investment in capital assets	12,886,564
Restricted:	
Capital projects	1,138,546
Debt service	3,149,452
Educational programs	370,790
Unrestricted	(5,401,226)
<b>Total Net Position</b>	<b>\$ 12,144,126</b>

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

**EMERY UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 7,293,800	\$ -	\$ 980,042	\$ (6,313,758)
Instruction-related services				
Instructional supervision and administration	375,805	-	81,112	(294,693)
Instructional library, media, and technology	163,394	-	4,786	(158,608)
School site administration	764,604	-	26,193	(738,411)
Pupil services				
Home-to-school transportation	72,451	-	-	(72,451)
Food services	449,815	7,094	338,952	(103,769)
All other pupil services	758,664	-	264,672	(493,992)
General administration				
Centralized data processing	230,101	-	-	(230,101)
All other general administration	1,255,178	356	118,993	(1,135,829)
Plant services	1,495,189	-	1,144,418	(350,771)
Ancillary services	127,183	-	370	(126,813)
Interest on long-term debt	9,672,710	-	-	(9,672,710)
Enterprise activities	10,316	151	7,195	(2,970)
Other outgo	-	-	758,383	758,383
Depreciation (unallocated)	1,729,103	-	-	(1,729,103)
<b>Total Governmental Activities</b>	<b>\$ 24,398,313</b>	<b>\$ 7,601</b>	<b>\$ 3,725,116</b>	<b>\$ (20,665,596)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes			\$	4,339,094
Property taxes, levied for debt service				3,367,147
Property taxes, levied for other specific purposes				3,167,920
Federal and state aid not restricted for specific purposes				2,778,407
Interest and investment earnings				38,390
Interagency revenues				45,980
Miscellaneous				1,285,091
Special and extraordinary items				1,577,617
<b>Subtotal, General Revenue</b>				<b>16,599,646</b>
<b>CHANGE IN NET POSITION</b>				
<b>Net Position - Beginning</b>				<b>16,210,076</b>
<b>Net Position - Ending</b>				<b>\$ 12,144,126</b>

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



**EMERY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,169,829	\$ 1,346,906	\$ 1,753,725	\$ 3,146,062	\$ 52,250	\$ 9,468,772
Accounts receivable	310,227	-	6,289	3,390	78,780	398,686
Due from grantor government	1,537,710	-	-	-	4,387	1,542,097
Due from other funds	872,999	21,943	330,039	-	-	1,224,981
Stores inventory	-	-	-	-	839	839
<b>Total Assets</b>	<b>5,890,765</b>	<b>1,368,849</b>	<b>2,090,053</b>	<b>3,149,452</b>	<b>136,256</b>	<b>12,635,375</b>
<b>LIABILITIES</b>						
Accrued liabilities	733,761	80,508	606,418	-	34,767	1,455,454
Due to other funds	1,119,538	4,321	15,122	-	86,000	1,224,981
Deferred revenue	22,159	-	-	-	-	22,159
<b>Total Liabilities</b>	<b>1,875,458</b>	<b>84,829</b>	<b>621,540</b>	<b>-</b>	<b>120,767</b>	<b>2,702,594</b>
<b>FUND BALANCES</b>						
Nonspendable	10,000	-	-	-	839	10,839
Spendable						
Restricted						
Educational programs	370,790	-	-	-	-	370,790
Capital projects	-	1,284,020	1,138,546	-	-	2,422,566
Debt service	-	-	-	3,149,452	-	3,149,452
Committed						
Assigned	35,769	-	329,967	-	15,489	381,225
Unassigned	3,598,748	-	-	-	(839)	3,597,909
<b>Total Fund Balances</b>	<b>4,015,307</b>	<b>1,284,020</b>	<b>1,468,513</b>	<b>3,149,452</b>	<b>15,489</b>	<b>9,932,781</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,890,765</b>	<b>\$ 1,368,849</b>	<b>\$ 2,090,053</b>	<b>\$ 3,149,452</b>	<b>\$ 136,256</b>	<b>\$ 12,635,375</b>

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

**EMERY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2017**

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**Total Fund Balance - Governmental Funds** \$ 9,932,781

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 104,617,547	
Accumulated depreciation	<u>(9,359,929)</u>	95,257,618

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(863,915)

Net OPEB obligation:

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, they are recognized in the period they are incurred. The net OPEB obligation at the end of the period was:

(833,483)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	\$ 8,701,714	
Compensated absences	26,113	
General obligation bonds	81,200,818	
Other general long-term debt	<u>2,454,256</u>	(92,382,901)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to 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 pensions are reported:

Deferred outflows of resources relating to pensions:	\$ 1,801,532	
Deferred inflows of resources relating to pensions:	<u>(767,506)</u>	1,034,026

**Total Net Position - Governmental Activities** \$ 12,144,126

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

**EMERY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 6,788,922	\$ -	\$ -	\$ -	\$ -	\$ 6,788,922
Federal sources	335,946	-	-	886,384	336,663	1,558,993
Other state sources	972,461	-	-	8,408	219,212	1,200,081
Other local sources	3,984,120	53,713	1,525,720	3,374,004	7,590	8,945,147
<b>Total Revenues</b>	<b>12,081,449</b>	<b>53,713</b>	<b>1,525,720</b>	<b>4,268,796</b>	<b>563,465</b>	<b>18,493,143</b>
<b>EXPENDITURES</b>						
Current						
Instruction	6,810,070	-	-	-	-	6,810,070
Instruction-related services						
Instructional supervision and administration	351,613	-	-	-	-	351,613
Instructional library, media, and technology	153,968	-	-	-	-	153,968
School site administration	744,209	-	-	-	-	744,209
Pupil services						
Home-to-school transportation	72,451	-	-	-	-	72,451
Food services	-	-	-	-	440,795	440,795
All other pupil services	527,313	-	-	-	192,496	719,809
General administration						
Centralized data processing	219,434	-	-	-	-	219,434
All other general administration	1,175,194	-	4,442	-	22,237	1,201,873
Plant services	1,218,776	228,410	-	-	-	1,447,186
Facilities acquisition and maintenance	-	12,562,184	2,245,324	-	-	14,807,508
Ancillary services	125,370	-	-	-	-	125,370
Enterprise activities	-	-	-	-	9,357	9,357
Debt service						
Interest and other	-	-	-	9,673,887	-	9,673,887
Redemptions	-	-	-	1,465,000	-	1,465,000
<b>Total Expenditures</b>	<b>11,398,398</b>	<b>12,790,594</b>	<b>2,249,766</b>	<b>11,138,887</b>	<b>664,885</b>	<b>38,242,530</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>683,051</b>	<b>(12,736,881)</b>	<b>(724,046)</b>	<b>(6,870,091)</b>	<b>(101,420)</b>	<b>(19,749,387)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	101,521	101,521
Other sources	-	1,300,000	-	32,036,248	-	33,336,248
Transfers out	(101,521)	-	-	-	-	(101,521)
Other Uses	-	-	-	(25,175,000)	-	(25,175,000)
<b>Net Financing Sources (Uses)</b>	<b>(101,521)</b>	<b>1,300,000</b>	<b>-</b>	<b>6,861,248</b>	<b>101,521</b>	<b>8,161,248</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>581,530</b>	<b>(11,436,881)</b>	<b>(724,046)</b>	<b>(8,843)</b>	<b>101</b>	<b>(11,588,139)</b>
<b>Fund Balance - Beginning</b>	<b>3,433,777</b>	<b>12,720,901</b>	<b>2,192,559</b>	<b>3,158,295</b>	<b>15,388</b>	<b>21,520,920</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,015,307</b>	<b>\$ 1,284,020</b>	<b>\$ 1,468,513</b>	<b>\$ 3,149,452</b>	<b>\$ 15,489</b>	<b>\$ 9,932,781</b>

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

**EMERY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Net Change in Fund Balances - Governmental Funds** \$ (11,588,139)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 14,837,708	
Depreciation expense:	<u>(1,729,103)</u>	13,108,605

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,607,367

Debt proceeds:

In governmental funds, proceeds of long-term debt are reported as Other Financing sources. In the government-wide statements, proceeds of long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt were:

(6,583,631)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

875,293

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,266,822)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(3,629)

Pensions:

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year which totaled:

(352,702)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(112,631)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

250,339

**Change in Net Position of Governmental Activities** \$ (4,065,950)

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

**EMERY UNIFIED HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

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	<u>Student Body Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,914
<b>LIABILITIES</b>	
Due to student groups	\$ 12,914

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

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

Emery 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:

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.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has evaluated whether any other reporting entity should be included in these financial statements, and concluded that there are no component units requiring inclusion for the year ended June 30, 2017.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basis of Presentation - Government-Wide Financial Statements, continued

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Basis of Presentation - Fund Accounting

The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting. Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

A. Major Governmental 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. The balances of the Special Reserve for Other Postemployment Benefits Fund are included with the General Fund for financial reporting purposes.

*Building Fund:* The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

*Capital Facilities Fund:* The Capital Facilities Fund is used to account for resources used for the acquisition of capital facilities by the District.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basis of Presentation - Fund Accounting, continued

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

B. Non-Major Governmental Funds

*Special Revenue Funds:* Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

*Child Development Fund:* This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

*Cafeteria Special Revenue Fund:* This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

*Deferred Maintenance Fund:* This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code section 17582*).

C. Fiduciary Funds

*Trust and Agency Funds:* Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

*Student Body Fund:* The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basis of Accounting – Measurement Focus

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

*Government-Wide, Proprietary, and Fiduciary Financial Statements:* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

*Governmental Funds:*

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

*Revenues – Exchange and Non-Exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Revenues – Exchange and Non-Exchange Transactions, continued:*

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

*Unearned Revenue:*

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

*Expenses/Expenditures:*

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical program revenues. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Store's Inventory

Store's inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

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 fair market value as of the date received. 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 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any item of this type.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

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 defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Compensated absences totaling \$26,113 are recorded as a long-term liability of the District.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Accumulated Sick Leave

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

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.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position the District plans to expend in the future for special purposes. The restriction for capital projects represents the portion of net position the District plans to expend in the future on capital projects. The restriction for debt service represents the amount the District plans to expend in the ensuing fiscal year on debt service. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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 store's 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 assets as reported in the government-wide and fiduciary trust fund 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. At June 30, 2017, the District had no committed fund balances.

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, 2017, no such designation has occurred.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fund Balance Classifications, continued

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. 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. When an expenditure is incurred for the purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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 to protect the District against revenue shortfalls and unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties in the General Fund equal to no less than 3% of General Fund expenditures and other financing uses. At June 30, 2017, the District has not established a stabilization arrangement.

Custodial Relationships

The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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 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 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

New Accounting Pronouncements, continued

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has implemented the provisions of this statement as of June 30, 2017

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

New Accounting Pronouncements, continued

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard's primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2017 consisted of the following:

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Cash in county	\$ 9,452,348	\$ -
Cash on hand and in banks	16,424	12,914
<b>Total</b>	<b>\$ 9,468,772</b>	<b>\$ 12,914</b>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, the Alameda County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits- Custodial Credit Risk

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, 2017, the carrying amount of the District's accounts was \$29,338, all of which was insured.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS, continued**

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	40%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$9,452,968 and an amortized book value of \$9,452,348. The average weighted maturity for this pool is 393 days.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 2 – CASH AND INVESTMENTS, continued**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2017, pooled investments in the County Treasury were rated at least A by Moody’s Investors Service.

Cash with Fiscal Agent

Cash with Fiscal Agent in the Building Fund represents amounts held by a third party custodian in the District’s name.

**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, 2017 were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 872,999	\$ 1,119,538
Cafeteria Fund	-	86,000
Building Fund	21,943	4,321
Capital Facilities Fund	330,039	15,122
Totals	\$ 1,224,981	\$ 1,224,981

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 3 – INTERFUND TRANSACTIONS, continued**

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 2016-2017 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to support operations.	\$ 101,521
	\$ 101,521

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 930,622	\$ -	\$ -	\$ 930,622
Construction in progress	-	14,807,508	-	14,807,508
Total Capital Assets not Being Depreciated	930,622	14,807,508	-	15,738,130
Capital assets being depreciated				
Improvement of sites	1,452,572	-	-	1,452,572
Buildings	86,925,087	-	-	86,925,087
Machinery and equipment	471,558	30,200	-	501,758
Total Capital Assets Being Depreciated	88,849,217	30,200	-	88,879,417
Less Accumulated Depreciation				
Improvement of sites	4,429,621	58,228	-	4,487,849
Buildings	2,960,304	1,649,873	-	4,610,177
Machinery and equipment	240,901	21,002	-	261,903
Total Accumulated Depreciation	7,630,826	1,729,103	-	9,359,929
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	\$ 82,149,013	\$ 13,108,605	\$ -	\$ 95,257,618

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016	Additions*	Deductions	Balance June 30, 2017	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds*	\$ 74,172,883	\$ 29,651,822	\$ 26,640,000	\$ 77,184,705	\$ 2,350,000
GO bond premiums	892,821	3,373,631	250,339	4,016,113	-
Public facilities loan	2,596,623	-	142,367	2,454,256	185,778
OPEB	720,852	112,631	-	833,483	-
Compensated absences	22,484	3,629	-	26,113	-
<b>Total</b>	<b>\$ 78,405,663</b>	<b>\$ 33,141,713</b>	<b>\$ 27,032,706</b>	<b>\$ 84,514,670</b>	<b>\$ 2,535,778</b>

\*Includes accreted interest.

Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$26,113. This amount is included as part of long-term liabilities in the government-wide financial statements.

Bonded Debt

The outstanding bonded debt of Emery Unified School District at June 30, 2017 is shown below:

Series	Issuance Date	Interest Yield	Maturity Date	Amount of Original Issue	Bonds			Bonds		Due Within One Year
					Outstanding July 1, 2016	Additions	Redeemed	Outstanding June 30, 2017		
2011 Series A	4/21/2011	5.23-6.00%	8/1/2035	\$ 25,499,600	\$ 25,741,897	\$ 70,187	\$ 25,175,000	\$ 637,084	\$ -	
2011 Series B QSCB	10/12/2011	4.83%	8/1/2029	15,000,000	13,150,000	-	735,000	12,415,000	810,000	
2012 Series C QSCB	2/23/2012	5.52%	2/1/2032	7,640,000	7,640,000	-	220,000	7,420,000	275,000	
2013 Series D	1/31/2013	1.00-5.45%	8/1/2045	17,450,147	20,280,986	1,196,635	-	21,477,621	-	
2015 Series E	12/2/2015	0.79-3.26%	8/1/2042	4,500,000	4,500,000	-	-	4,500,000	185,000	
2015 Refunding	12/2/2015	2.00-5.00%	8/1/2022	2,860,000	2,860,000	-	510,000	2,350,000	450,000	
2017 Series F	6/22/2017	0.88-1.78%	8/1/2025	1,300,000	-	1,300,000	-	1,300,000	-	
2017 Refunding	6/22/2017	0.77-3.39%	8/1/2035	27,085,000	-	27,085,000	-	27,085,000	630,000	
			Total	\$ 101,334,747	\$ 74,172,883	\$ 29,651,822	\$ 26,640,000	\$ 77,184,705	\$ 2,350,000	

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 5 – LONG-TERM DEBT, continued**

Bonded Debt, continued

On July 21, 2005, the District issued 2005 General Obligation Refunding Bonds in the amount of \$6,825,000 for the purpose of refunding 1996, 1997, and 1998 General Obligation Bonds. Upon issuance of the 2005 General Obligation Refunding Bonds, the District deposited \$6,630,806 in an escrow account for the advance refunding. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's long-term obligations. In the 2015-16 fiscal year the 2005 General Obligation Refunding Bonds were fully refunded by the issuance of the 2015 General Obligation Refunding Bonds.

On April 21, 2011, the District issued 2010 Series A General Obligation Bonds, Election of 2010, totaling \$25,499,600. Of the total issuance amount, \$324,600 were issued as Capital Appreciation Bonds. The Bonds bear interest at rates ranging from 5.75% to 6.5% per annum from the date of issuance and are payable on August 1 and February 1 of each year through August 2036. The bonds were partially refunded during the 2016-17 year by the 2017 Refunding Bonds.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2018	\$ -	\$ -	\$ -	\$ -
2019	-	-	-	-
2020	118,141	-	191,859	310,000
2021	106,842	-	208,158	315,000
2022	99,617	-	230,383	330,000
Accretion	312,484	-	(312,484)	-
	<u>\$ 637,084</u>	<u>\$ -</u>	<u>\$ 317,916</u>	<u>\$ 955,000</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 5 – LONG-TERM DEBT, continued**

Bonded Debt, continued

On October 12, 2011, the District issued 2011 Series B General Obligation Bonds, Election of 2010, totaling \$15,000,000. The Bonds were issued as federally taxable direct-pay qualified school construction bonds, bear interest at 4.83% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2030.

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2018	\$ 810,000	\$ 580,083	\$ (545,254)	\$ 844,829
2019	890,000	539,028	(506,664)	922,364
2020	740,000	499,663	(469,663)	770,000
2021	825,000	461,869	(434,137)	852,732
2022	905,000	420,090	(394,867)	930,223
2023-2027	6,200,000	1,193,010	(1,121,379)	6,271,631
2028-2030	2,045,000	150,815	(141,761)	2,054,054
	<u>\$ 12,415,000</u>	<u>\$ 3,844,558</u>	<u>\$ (3,613,725)</u>	<u>\$ 12,645,833</u>

Bonded Debt, continued

On February 23, 2012, the District issued 2012 Series C General Obligation Bonds, Election of 2010, totaling \$7,640,000. The Bonds were issued as federally taxable direct pay qualified school construction bonds, bear interest at 5.52% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2032.

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2018	\$ 275,000	\$ 401,994	\$ (359,027)	\$ 317,967
2019	305,000	385,986	(344,730)	346,256
2020	260,000	370,392	(330,803)	299,589
2021	290,000	355,212	(317,246)	327,966
2022	320,000	338,376	(302,209)	356,167
2023-2027	2,290,000	1,317,624	(1,176,792)	2,430,832
2028-2032	3,680,000	722,982	(645,706)	3,757,276
	<u>\$ 7,420,000</u>	<u>\$ 3,892,566</u>	<u>\$ (3,476,513)</u>	<u>\$ 7,836,053</u>



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 5 – LONG-TERM DEBT, continued**

On February 11, 2013, the District issued 2013 Series D General Obligation Bonds, Election of 2010, totaling \$17,450,147. Of the total issuance amount, \$1,320,000 were issued as Current Interest Bonds. The Bonds bear interest at 5.0% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2045. The remaining \$16,130,147 were issued as Capital Appreciation Bonds, bear interest at rates ranging from 1.0% to 5.45% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2045.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2018	\$ -	\$ 66,000	\$ -	\$ 66,000
2019	-	66,000	-	66,000
2020	-	66,000	-	66,000
2021	-	66,000	-	66,000
2022	-	66,000	-	66,000
2023-2027	-	330,000	-	330,000
2028-2032	-	330,000	-	330,000
2033-2037	3,257,016	330,000	6,942,984	10,530,000
2038-2042	7,922,467	330,000	24,202,533	32,455,000
2043-2046	5,900,117	264,000	18,899,883	25,064,000
Accretion	4,398,021	-	(4,398,021)	-
	<u>\$ 21,477,621</u>	<u>\$ 1,914,000</u>	<u>\$ 45,647,379</u>	<u>\$ 69,039,000</u>

On December 2, 2015, the District issued 2015 Series E General Obligation Bonds, Election of 2010, totaling \$4,500,000. The bonds were issued as Current Interest Bonds, bear interest at 0.79-3.26% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2042.

Fiscal Year	Principal	Interest	Total
2018	\$ 185,000	\$ 188,906	\$ 373,906
2019	105,000	185,206	290,206
2020	-	183,106	183,106
2021	15,000	183,106	198,106
2022	30,000	182,656	212,656
2023-2027	310,000	890,032	1,200,032
2028-2032	725,000	787,132	1,512,132
2033-2037	1,035,000	650,444	1,685,444
2038-2042	1,660,000	373,500	2,033,500
2043	435,000	21,750	456,750
	<u>\$ 4,500,000</u>	<u>\$ 3,645,838</u>	<u>\$ 8,145,838</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 5 – LONG-TERM DEBT, continued**

On December 2, 2015, the District issued 2015 Refunding General Obligation Bonds, totaling \$2,860,000. The bonds were issued as Current Interest Bonds, bear interest at 2.00-5.00% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2022. The bonds refunded the outstanding 2005 Refunding General Obligation Bonds.

Fiscal Year	Principal	Interest	Total
2018	\$ 450,000	\$ 103,950	\$ 553,950
2019	455,000	90,450	545,450
2020	475,000	72,250	547,250
2021	495,000	48,500	543,500
2022	330,000	23,750	353,750
2023	145,000	7,250	152,250
	<u>\$ 2,350,000</u>	<u>\$ 346,150</u>	<u>\$ 2,696,150</u>

On June 22, 2017, the District issued 2017 Series F General Obligation Bonds and 2017 General Obligation Refunding Bonds, totaling \$1,300,000 and \$27,085,000, respectively. The bonds were issued as Current Interest Bonds, bear interest at 0.88-3.39% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2035. The 2017 Refunding bonds refunded the outstanding 2010 Series A General Obligation Bonds.

2017 Series F General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2018	\$ -	\$ 4,100	\$ 4,100
2019	165,000	37,850	202,850
2020	165,000	34,550	199,550
2021	140,000	31,250	171,250
2022	150,000	27,050	177,050
2023-2026	680,000	51,025	731,025
	<u>\$ 1,300,000</u>	<u>\$ 185,825</u>	<u>\$ 1,485,825</u>

2017 General Obligation Refunding Bonds

Fiscal Year	Principal	Interest	Total
2018	\$ 630,000	\$ 120,757	\$ 750,757
2019	85,000	1,102,081	1,187,081
2020	85,000	1,100,381	1,185,381
2021	80,000	1,098,682	1,178,682
2022	70,000	1,096,281	1,166,281
2023-2027	1,890,000	5,445,531	7,335,531
2028-2032	11,050,000	4,016,156	15,066,156
2033-2036	13,195,000	1,122,376	14,317,376
	<u>\$ 27,085,000</u>	<u>\$ 15,102,245</u>	<u>\$ 42,187,245</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5 – LONG-TERM DEBT, continued**

Public Facilities Loan

In January 2008, the Emeryville Redevelopment Agency provided a public facilities loan (the "Agency loan") of \$2,836,684 to the District. Payments on the Agency loan and interest due thereon will be made semi-annually from the District's share of AB1290 pass-through payments. The District is required to repay the loan, plus accreted interest, at a rate of 4.57% per annum to the Emeryville Redevelopment Agency, through fiscal year 2023. The balance outstanding on the public facilities loan as of June 30, 2017 is \$2,454,256 with \$185,778 due within one year.

City of Emeryville Loan

In October 2002, the City of Emeryville provided a no interest loan of \$1,500,000 to the District. Payments on the loan due thereon were to be made by forgiving the receipt of future rent payments due to the District through fiscal year 2042. During the 2014-15 fiscal year the entire remaining balance was forgiven by the City of Emeryville in exchange for partial ownership of the new ECCL facility.

**NOTE 6 – FUND BALANCES**

Fund balances were comprised of the following elements at June 30, 2017:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities
<b>Non-spendable</b>						
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Total non-spendable	10,000	-	-	-	-	10,000
<b>Restricted</b>						
Educational programs	370,790	-	-	-	-	370,790
Capital projects	-	1,284,020	1,138,546	-	-	2,422,566
Debt service	-	-	-	3,149,452	-	3,149,452
Total restricted	370,790	1,284,020	1,138,546	3,149,452	-	5,942,808
<b>Assigned</b>						
Other assignments	35,769	-	329,967	-	15,489	381,225
Total assigned	35,769	-	329,967	-	15,489	381,225
<b>Unassigned</b>						
Remaining unassigned	3,598,748	-	-	-	-	3,598,748
Total unassigned	3,598,748	-	-	-	-	3,598,748
<b>Total</b>	<b>\$ 4,015,307</b>	<b>\$ 1,284,020</b>	<b>\$ 1,468,513</b>	<b>\$ 3,149,452</b>	<b>\$ 15,489</b>	<b>\$ 9,932,781</b>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

Emery Unified School District's postretirement benefit plan (the "Plan") is a single employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental, and vision to eligible retirees and spouses. Membership of the Plan consists of 7 retirees and beneficiaries currently receiving benefits and 82 active plan members. Unfunded portion of the annual required contributions (net OPEB obligation) is presented in the statement of net position as a portion of long-term liabilities.

Funding Policy

The contribution requirements of the District are established and may be amended by the Board of Education. The required contribution is based in projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based in the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 172,781
Interest on net OPEB obligation	32,438
Adjustment to annual required contribution	<u>(52,241)</u>
Annual OPEB cost	<u>152,978</u>
Contributions made	<u>40,347</u>
Increase in net OPEB obligation	112,631
Net OPEB obligation - July 1, 2016	<u>720,852</u>
Net OPEB obligation - June 30, 2017	<u>\$ 833,483</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 7 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Annual OPEB Cost and Net OPEB Obligation, continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding three years were as follows:

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2017	\$ 152,978	26.4%	\$ 833,483
2016	\$ 154,384	66.8%	\$ 720,852
2015	\$ 195,628	54.5%	\$ 669,670
2014	\$ 206,601	15.6%	\$ 580,569

Funded Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$902,991, and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$902,991. As of October 1, 2016, the covered payroll (annual payroll of active employees covered by the plan) was \$5,695,727, and the ratio of the UAAL to the covered payroll was 16 percent. The OPEB plan is currently operated as a pay-as-you-go plan. While the District began to fund the plan in the 2011-12 fiscal year, there is no irrevocable trust set aside for these amounts, and it is therefore excluded as plan assets for actuarial and financial reporting purposes.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is reported as Required Supplementary Information.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2016, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 4.5% percent. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at October 1, 2016, was 24 years.

*See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities.*

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are member of the California State Teachers’ Retirement System (CalSTRS), and Classified employees are members of the California Public Employees’ Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 7,082,732	\$ 1,007,115	\$ 381,079	\$ 753,946
CalPERS	1,618,982	794,415	386,427	302,894
Total	\$ 8,701,714	\$ 1,801,530	\$ 767,506	\$ 1,056,840

**Pension Plans – California Public Employees’ Retirement System (CalPERS)**

**General Information about the Pension Plan**

**Plan Description** – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

***General Information about the Pension Plan, continued***

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.89%	13.89%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$159,240.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,618,982. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.008 percent and 0.011 percent, resulting in a net decrease in the proportionate share of 0.003 percent.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalPERS. Continued***

For the year ended June 30, 2017, the District recognized a pension expense of \$302,894. At June 30, 2017, 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 projected and actual earnings on plan investments	\$ 220,581	\$ -
Differences between expected and actual experience	85,155	-
Changes in assumptions	-	65,330
Net changes in proportionate share of net pension liability	329,439	321,097
District contributions subsequent to the measurement date	159,240	-
Total	<u>\$ 794,415</u>	<u>\$ 386,427</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 265,454	\$ 145,107
2019	244,918	141,669
2020	59,240	99,651
2021	65,563	-
	<u>\$ 635,175</u>	<u>\$ 386,427</u>



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Actuarial assumptions.** For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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. These geometric rates of return are net of administrative expenses:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

\*An expected inflation of 2.5% used for this

\*\*An expected inflation of 3.0% used for this

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California Public Employees’ Retirement System (CalPERS), continued**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65 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 Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**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 7.65 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 in the following table:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's net pension liability	\$ 2,415,530	\$ 1,618,982	\$ 955,699

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS CAFR at <https://www.calpers.ca.gov>.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS)**

**General Information about the Pension Plan**

**Plan Description** – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided** - The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2017 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

\*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

***General Information about the Pension Plan, continued***

**Contributions** - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$544,896.

**On-Behalf Payments** - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$268,651 to CalSTRS.

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

At June 30, 2017, 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:

Total net pension liability, including state share:

District's proportionate share of the net pension liability	\$ 7,082,732
State's proportionate share of the net pension liability associated with the District	4,032,666
Total	<u>\$ 11,115,398</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0088 percent and 0.0093 percent, resulting in a net decrease in the proportionate share of 0.0005 percent.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CalSTRS, continued**

For the year ended June 30, 2017, the District recognized pension expense of \$753,946. At June 30, 2017, 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 projected and actual earnings on plan investments	\$ 462,219	\$ -
Differences between expected and actual experience	-	177,888
Net changes in proportionate share of net pension liability	-	203,191
District contributions subsequent to the measurement date	544,896	-
Total	\$ 1,007,115	\$ 381,079

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 83,673	\$ 70,643
2019	83,673	70,643
2020	83,673	70,643
2021	211,200	70,643
2022	-	70,645
Thereafter	-	27,862
	\$ 462,219	\$ 381,079

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Actuarial Assumptions**

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006, through June 30, 2010
Actuarial cost method	Entry Age Normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers’ Retirement Board of the California State Teachers’ Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. 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:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

\*20-year geometric average

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 8 – NET PENSION LIABILITY, continued**

**Pension Plans – California State Teachers’ Retirement System (CalSTRS), continued**

**Discount rate** - The discount rate used to measure the total pension liability was 7.60 percent. 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 Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 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.

**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 7.60% 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 (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Plan's net pension liability	\$ 10,193,648	\$ 7,082,732	\$ 4,498,985

**Pension plan fiduciary net position** - Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS CAFR at <http://www.calstrs.com/comprehensive-annual-financial-report>.

**NOTE 9 – JOINT POWERS AGREEMENT**

Actuarial Methods and Assumptions

The District is a member with other school districts of a Joint Powers Authority (JPA), Alameda County Schools Insurance Group (ACSIG). ACSIG arranges for and provides workers' compensation insurance for its members. ACSIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of ACSIG, including selections of management and approval of operating budgets. The JPA agreement for ACSIG provides that the ACSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$25,000 for each insured event for property and liability. The District continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The relationship between the Emery Unified School District and ACSIG is such that ACSIG is not a component unit of the District for financial reporting purposes.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

**NOTE 11 – SUBSEQUENT EVENTS**

The District evaluated subsequent events from June 30, 2017 through December 14, 2017, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**EMERY UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 6,462,170	\$ 6,448,107	\$ 6,788,922	\$ 340,815
Federal sources	-	14,859	335,946	321,087
Other state sources	276,265	265,104	972,461	707,357
Other local sources	2,663,401	2,609,901	3,983,883	1,373,982
<b>Total Revenues</b>	<b>9,401,836</b>	<b>9,337,971</b>	<b>12,081,212</b>	<b>2,743,241</b>
<b>EXPENDITURES</b>				
Certificated salaries	4,164,291	3,941,555	4,524,708	(583,153)
Classified salaries	738,694	749,419	1,173,175	(423,756)
Employee benefits	2,291,420	2,073,699	2,751,690	(677,991)
Books and supplies	159,656	217,564	469,414	(251,850)
Services and other operating expenditures	948,035	1,079,230	2,471,448	(1,392,218)
Capital outlay	17,680	41,172	30,200	10,972
Other outgo				
Transfers of indirect costs	(123,800)	(129,589)	(22,237)	(107,352)
<b>Total Expenditures</b>	<b>8,195,976</b>	<b>7,973,050</b>	<b>11,398,398</b>	<b>(3,425,348)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,205,860</b>	<b>1,364,921</b>	<b>682,814</b>	<b>(682,107)</b>
<b>Other Financing Sources (Uses):</b>				
Contributions	(1,258,454)	(1,400,394)	-	1,400,394
Transfers out	(143,969)	(109,401)	(101,521)	7,880
<b>Net Financing Sources (Uses)</b>	<b>(1,402,423)</b>	<b>(1,509,795)</b>	<b>(101,521)</b>	<b>1,408,274</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(196,563)</b>	<b>(144,874)</b>	<b>581,293</b>	<b>726,167</b>
<b>Fund Balance - Beginning</b>	<b>3,398,245</b>	<b>3,398,245</b>	<b>3,398,245</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,201,682</b>	<b>\$ 3,253,371</b>	<b>\$ 3,979,538</b>	<b>\$ 726,167</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund and Special Reserve for Postemployment Benefit Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b - a) / c]</b>
October 1, 2016	\$ -	\$ 902,991	\$ 902,991	0%	\$ 5,695,727	16%
October 1, 2013	\$ -	\$ 983,661	\$ 983,661	0%	\$ 5,208,563	19%
October 1, 2010	\$ -	\$ 1,001,704	\$ 1,001,704	0%	\$ 6,429,795	16%

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2017**

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<b>CalSTRS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.009%	0.009%	0.010%
District's proportionate share of the net pension liability	\$ 7,082,732	\$ 6,257,800	\$ 5,551,760
State's proportionate share of the net pension liability associated with the District	4,032,666	3,309,677	3,355,432
Total	<u>\$ 11,115,398</u>	<u>\$ 9,567,477</u>	<u>\$ 8,907,192</u>
District's covered - employee payroll	\$ 4,331,447	\$ 26,985,380	\$ 32,097,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	163.5%	23.2%	17.3%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	76.5%	76.5%
<b>CalPERS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.008%	0.011%	0.015%
District's proportionate share of the net pension liability	\$ 1,618,982	\$ 1,622,872	\$ 1,666,246
District's covered - employee payroll	\$ 1,146,436	\$ 24,615,273	\$ 20,472,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	141.2%	6.6%	8.1%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	83.4%	83.4%

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
JUNE 30, 2017**

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<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contribution	\$ 544,896	\$ 776,930	\$ 379,368
District's contributions in relation to the statutorily required contribution	544,896	776,930	379,368
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 4,331,447	\$ 26,985,380	\$ 32,097,000
District's contributions as a percentage of covered-employee payroll	12.58%	2.88%	1.18%
<b>CalPERS</b>	<b>Reporting Fiscal Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contribution	\$ 159,240	\$ 115,238	\$ 151,397
District's contributions in relation to the statutorily required contribution	159,240	115,238	151,397
District's contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 1,146,436	24,615,273	20,472,000
District's contributions as a percentage of covered-employee payroll	13.89%	0.47%	0.74%

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

**Changes in Assumptions** – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

**EMERY UNIFIED SCHOOL DISTRICT**

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2017, the District incurred an excess of expenditures over appropriations in General Fund presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 3,941,555	\$ 4,524,708	\$ (583,153)
Classified salaries	\$ 749,419	\$ 1,173,175	\$ (423,756)
Employee benefits	\$ 2,073,699	\$ 2,751,690	\$ (677,991)
Books and supplies	\$ 217,564	\$ 469,414	\$ (251,850)
Services and other operating expenditures	\$ 1,079,230	\$ 2,471,448	\$ (1,392,218)
Other outgo			
Transfers of indirect costs	\$ (129,589)	\$ (22,237)	\$ (107,352)

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**SUPPLEMENTARY  
INFORMATION**

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**EMERY UNIFIED SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2017**

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Emery Unified School District was established in 1887. The District is currently operating one elementary school (K-6) and one secondary school (7-12) and encompasses an area comprising approximately 1.2 square miles. There were no changes in District boundaries for the year ended June 30, 2017.

GOVERNING BOARD

Name	Office	Term Expires
Donn Lee Merriam	President	2018
Cruz Vargas	Vice President	2020
Barbara Inch	Clerk	2020
Brynnda Collins	Board Member	2018
Bailey Langner	Board Member	2018

ADMINISTRATION

Dr. John Rubio, Superintendent

Dora Siu, Business Manager

**EMERY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>Second Period Report</b>	<b>Annual Report</b>
Elementary:		
Transitional Kindergarten through Third	229.31	226.46
Fourth through Sixth	163.61	162.26
Seventh and Eighth	89.51	89.86
	482.43	478.58
High School:		
Ninth through Twelfth	167.09	165.67
	649.52	644.25
ADA Totals		

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2016-17</b>	<b>Number of Days</b>		<b>Status</b>
		<b>Actual Minutes</b>	<b>Traditional Calendar</b>	<b>Multitrack Calendar</b>	
Kindergarten	36,000	43,200	180	N/A	Complied
Grade 1	50,400	54,640	180	N/A	Complied
Grade 2	50,400	54,640	180	N/A	Complied
Grade 3	50,400	54,640	180	N/A	Complied
Grade 4	54,000	54,640	180	N/A	Complied
Grade 5	54,000	54,640	180	N/A	Complied
Grade 6	54,000	54,640	180	N/A	Complied
Grade 7	54,000	54,640	180	N/A	Complied
Grade 8	54,000	54,640	180	N/A	Complied
Grade 9	64,800	66,028	180	N/A	Complied
Grade 10	64,800	66,028	180	N/A	Complied
Grade 11	64,800	66,028	180	N/A	Complied
Grade 12	64,800	66,028	180	N/A	Complied

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>2018 (Budget)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
General Fund - Budgetary Basis**				
Revenues and Other Financing Sources	\$ 11,327,472	12,081,212	11,034,512	9,440,274
Expenditures and Other Financing Uses	12,164,908	11,499,919	10,025,952	10,813,067
Net Change in Fund Balance	(837,436)	581,293	1,008,560	(1,372,793)
Ending Fund Balance	\$ 3,142,102	\$ 3,979,538	\$ 3,398,245	\$ 2,389,685
Available Reserves*	\$ 3,022,571	\$ 3,598,748	\$ 401,039	\$ 2,202,314
Available Reserves as a Percentage of Outgo	24.85%	31.29%	4.00%	20.37%
Long-term Debt	\$ 81,978,892	\$ 84,514,670	\$ 78,405,663	\$ 73,590,939
Average Daily Attendance at P-2	650	650	669	641

\* Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund and the Special Reserve for Post-Employment.

\*\*This schedule reflects General Fund budgetary fund basis, which excludes the Special Reserve for Post-Employment Benefits.

The budgetary basis General Fund balance has increased by \$1,589,853 over the past two years. The fiscal year 2017-18 budget projects an decrease of \$(837,436). For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred an operating surplus in the 2016-17 fiscal year and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by \$10,923,731 over the past two years.

Average daily attendance has increased by 9 over the past two years. ADA is anticipated to remain the same during fiscal year 2017-18.

**EMERY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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*There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.*

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<b>Charter School</b>	<b>Included in Audit Report</b>
There are currently no charter schools in the District.	

**EMERY UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

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	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,299	\$ 6,482	\$ 15,469	\$ 52,250
Accounts receivable	30	78,730	20	78,780
Due from grantor government	4,387	-	-	4,387
Stores inventory	-	839	-	839
<b>Total Assets</b>	<b>34,716</b>	<b>86,051</b>	<b>15,489</b>	<b>136,256</b>
<b>LIABILITIES</b>				
Accrued liabilities	34,716	51	-	34,767
Due to other funds	-	86,000	-	86,000
<b>Total Liabilities</b>	<b>34,716</b>	<b>86,051</b>	<b>-</b>	<b>120,767</b>
<b>FUND BALANCES</b>				
Non-spendable	-	839	-	839
Spendable				
Assigned	-	-	15,489	15,489
Unassigned	-	(839)	-	(839)
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>15,489</b>	<b>15,489</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 34,716</b>	<b>\$ 86,051</b>	<b>\$ 15,489</b>	<b>\$ 136,256</b>

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2017**

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	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 336,663	\$ -	\$ 336,663
Other state sources	192,496	26,716	-	219,212
Other local sources	89	7,400	101	7,590
<b>Total Revenues</b>	<b>192,585</b>	<b>370,779</b>	<b>101</b>	<b>563,465</b>
<b>EXPENDITURES</b>				
Current				
Pupil services				
Food services	-	440,795	-	440,795
All other pupil services	192,496	-	-	192,496
General administration				
All other general administration	89	22,148	-	22,237
Enterprise activities	-	9,357	-	9,357
<b>Total Expenditures</b>	<b>192,585</b>	<b>472,300</b>	<b>-</b>	<b>664,885</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>-</b>	<b>(101,521)</b>	<b>101</b>	<b>(101,420)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	101,521	-	101,521
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>101,521</b>	<b>-</b>	<b>101,521</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>101</b>	<b>101</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>-</b>	<b>15,388</b>	<b>15,388</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,489</b>	<b>\$ 15,489</b>

See accompanying note to supplementary information.



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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**NOTE 1 – PURPOSE OF SCHEDULES**

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in 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. 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 46200 through 46208*. As of June 30, 2017, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget 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 Charter Schools

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

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2017**

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**NOTE 1 – PURPOSE OF SCHEDULES, continued**

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

**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, 2017, the District did not adopt such a program.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**INDEPENDENT AUDITORS' 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**

Governing Board  
Emery Unified School District  
Emeryville, 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, each major fund, and the aggregate remaining fund information of Emery Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Emery Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Emery Unified School District's internal control over financial reporting (internal control) to determine the 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 Emery Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Emery 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 may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery Unified School District's financial statements are free of 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 determination of financial statement amounts. 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.

*CWDL, Certified Public Accountants*

San Diego, California  
December 14, 2017



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Emery Unified School District  
Emeryville, California

### **Report on State Compliance**

We have audited Emery Unified School District's compliance with the types of compliance requirements described in the 2016-17 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Emery Unified School District's state programs for the fiscal year ended June 30, 2017, as identified below.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Emery Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2016-17 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Emery Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Emery Unified School District's compliance with those requirements.

**Opinion on State Compliance**

In our opinion, Emery Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

**Procedures Performed**

In connection with the audit referred to above, we selected and tested transactions and records to determine Emery Unified School District's compliance with the state laws and regulations applicable to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program:	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Local Control and Accountability Plan	Yes
Independent Study-Coursed Based	Yes
Immunizations	Yes
Charter Schools:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Non-classroom-Based	Not applicable
Annual Instructional Minutes - Classroom-Based	Not applicable
Charter School Facility Grant Program	Not applicable

We did not perform any procedures related to Continuation Education because the ADA reported was below the level required for testing.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform any procedures related to Early Retirement Incentive Program.

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

The District does not have 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 have any expenditures related to the California Clean Energy Jobs Act during the current year; therefore, we did not perform any procedures related to the California Clean Energy Jobs Act.

The District did not operate any charter schools; therefore, we did not perform any procedures specific to any charter school compliance areas.

*CWDL, Certified Public Accountants*

San Diego, California  
December 14, 2017



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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**EMERY UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**EMERY UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<u>FIVE DIGIT CODE</u>	<u>AB3627 FINDING TYPES</u>
20000	Inventory of Equipment
30000	Internal Control

*There were no financial statement findings and questioned costs in 2016-17.*

**EMERY UNIFIED SCHOOL DISTRICT  
 STATE AWARD FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2017**

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<u>FIVE DIGIT CODE</u>	<u>AB3627 FINDING TYPES</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Program
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Missassignments
72000	School Accountability Report Card

***There were no state award findings and questioned costs in 2016-17.***

**EMERY UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

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*There were no audit findings or recommendations in 2015-16.*