

# EMERY UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2018



COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT  
CERTIFIED PUBLIC ACCOUNTANTS

**EMERY UNIFIED SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018, 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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 6 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

### **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 54, the schedule of proportionate share of the net pension liability on page 57 and the schedule of contributions - OPEB on page 56, 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 15, 2018 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 15, 2018

# **EMERY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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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, 2018. 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**

- The District's financial condition has decreased during the 2017-18 fiscal year. Over the course of the year, total net position decreased by 0.67%.
- On the Statement of Activities, total current year revenues were less than total current year expenditures by \$244,888
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total fund balances decreased by \$779,041
- Capital assets decreased \$409,625 due primarily to increases in accumulated depreciation, offset by increases in construction-in-progress.
- Total long-term liabilities decreased \$1,564,878 during the 2017-18 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, remained at 650 ADA for 2017-18 compared with fiscal year 2016-17.



**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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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, 2018 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  
JUNE 30, 2018**

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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 2017-18 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  
JUNE 30, 2018**

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

GOVERNMENTAL ACTIVITIES

The District's net position decreased from \$12,144,126 at June 30, 2017 to \$12,062,911 at June 30, 2018, approximately 0.67%. Net position decreased by \$81,215.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 10,600,854	\$ 11,410,394	\$ (809,540)
Capital assets	94,847,993	95,257,618	(409,625)
Deferred outflows	2,922,669	1,801,532	1,121,137
<b>Total Assets and Deferred Outflows</b>	<b>108,371,516</b>	<b>108,469,544</b>	<b>(98,028)</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	1,553,121	2,341,528	788,407
Net pension liability	9,761,707	8,701,714	(1,059,993)
Long-term liabilities	82,949,792	84,514,670	1,564,878
Deferred inflows	1,286,077	767,506	(518,571)
Due to grantor government	757,908	-	(757,908)
<b>Total Liabilities and Deferred Inflows</b>	<b>96,308,605</b>	<b>96,325,418</b>	<b>16,813</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,173,015	12,886,564	286,451
Restricted	5,053,202	4,658,788	394,414
Unrestricted	(6,163,306)	(5,401,226)	(762,080)
<b>Total Net Position</b>	<b>\$ 12,062,911</b>	<b>\$ 12,144,126</b>	<b>\$ (81,215)</b>

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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

GOVERNMENTAL ACTIVITIES, continued

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 9,763	\$ 7,601	\$ 2,162
Operating grants and contributions	3,756,329	3,725,116	31,213
General revenues			
Property taxes	12,242,343	10,874,161	1,368,182
Unrestricted federal and state aid	1,501,068	2,778,407	(1,277,339)
Other	597,480	2,947,078	(2,349,598)
<b>Total Revenues</b>	<b>18,106,983</b>	<b>20,332,363</b>	<b>(2,225,380)</b>
<b>EXPENSES</b>			
Instruction	7,443,371	7,293,800	149,571
Instruction-related services	1,483,925	1,303,803	180,122
Pupil services	1,254,300	1,280,930	(26,630)
General administration	1,644,683	1,485,279	159,404
Plant services	1,310,967	1,495,189	(184,222)
Interest	3,002,227	9,672,710	(6,670,483)
Other outgo	2,040,806	1,866,602	174,204
Community services	171,592	-	171,592
<b>Total Expenses</b>	<b>18,351,871</b>	<b>24,398,313</b>	<b>(6,046,442)</b>
<b>Change in net position</b>	<b>(244,888)</b>	<b>(4,065,950)</b>	<b>3,821,062</b>
<b>Net Position - Beginning</b>	<b>12,144,126</b>	<b>16,210,076</b>	<b>(4,065,950)</b>
<b>Prior Period Adjustment - (Note 10)</b>	<b>163,673</b>	<b>-</b>	<b>163,673</b>
<b>Net Position - Ending</b>	<b>\$ 12,062,911</b>	<b>\$ 12,144,126</b>	<b>\$ (81,215)</b>

**EMERY UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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

GOVERNMENTAL ACTIVITIES, continued

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 930,622	\$ 930,622	\$ -
Construction in progress	16,126,631	14,807,508	1,319,123
Improvement of sites	1,452,572	1,452,572	-
Buildings & improvements	86,925,087	86,925,087	-
Machinery & equipment	502,147	501,758	389
Accumulated depreciation	(11,089,066)	(9,359,929)	(1,729,137)
<b>Total Capital Assets</b>	<b>\$ 94,847,993</b>	<b>\$ 95,257,618</b>	<b>\$ (409,625)</b>

Capital assets decreased \$409,625 due primarily to the increases in accumulated depreciation

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
General obligation bonds	\$ 79,833,152	\$ 81,200,818	\$ (1,367,666)
Public facilities loan	2,268,478	2,454,256	(185,778)
Compensated absences	28,986	26,113	2,873
OPEB	819,176	833,483	(14,307)
<b>Total Long-term Liabilities</b>	<b>\$ 82,949,792</b>	<b>\$ 84,514,670</b>	<b>\$ (1,564,878)</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 facilities 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  
JUNE 30, 2018**

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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 54 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 2018-19. 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, 2018**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,896,675
Accounts receivable	523,241
Due from grantor government	145,197
Prepaid expenses	35,151
Stores inventory	590
Capital assets, not depreciated	17,057,253
Capital assets, net of accumulated depreciation	77,790,740
<b>Total Assets</b>	<u>105,448,847</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	2,922,669
<b>LIABILITIES</b>	
Accrued liabilities	1,526,214
Unearned revenue	26,907
Due to grantor government	757,908
Net pension liability	9,761,707
Long-term liabilities, current portion	2,237,672
Long-term liabilities, non-current portion	80,712,120
<b>Total Liabilities</b>	<u>95,022,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,286,077
<b>NET POSITION</b>	
Net investment in capital assets	13,173,015
Restricted:	
Capital projects	1,534,612
Debt service	3,232,747
Educational programs	285,843
Unrestricted	(6,163,306)
<b>Total Net Position</b>	<u>\$ 12,062,911</u>

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

**EMERY UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues		Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 7,443,371	\$ -	\$ 1,185,105	\$ (6,258,266)
Instruction-related services				
Instructional supervision and administration	416,770	-	143,037	(273,733)
Instructional library, media, and technology	212,406	-	10,612	(201,794)
School site administration	854,749	-	46,434	(808,315)
Pupil services				
Home-to-school transportation	31,287	-	-	(31,287)
Food services	480,282	9,157	368,826	(102,299)
All other pupil services	742,731	-	323,881	(418,850)
General administration				
Centralized data processing	227,036	-	-	(227,036)
All other general administration	1,417,647	487	120,924	(1,296,236)
Plant services	1,310,967	-	578,763	(732,204)
Ancillary services	110,027	-	1,072	(108,955)
Interest on long-term debt	3,002,227	-	-	(3,002,227)
Community services	171,592	-	-	(171,592)
Enterprise activities	7,372	119	4,811	(2,442)
Other outgo	194,270	-	972,864	778,594
Depreciation (unallocated)	1,729,137	-	-	(1,729,137)
<b>Total Governmental Activities</b>	<b>\$ 18,351,871</b>	<b>\$ 9,763</b>	<b>\$ 3,756,329</b>	<b>\$ (14,585,779)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes			\$	5,269,318
Property taxes, levied for debt service				3,589,174
Property taxes, levied for other specific purposes				3,383,851
Federal and state aid not restricted for specific purposes				1,501,068
Interest and investment earnings				40,996
Interagency revenues				49,293
Miscellaneous				507,191
<b>Subtotal, General Revenue</b>				<b>14,340,891</b>
<b>CHANGE IN NET POSITION</b>				<b>(244,888)</b>
<b>Net Position - Beginning</b>				<b>12,144,126</b>
<b>Prior Period Adjustment - (Note 10)</b>				<b>163,673</b>
<b>Net Position - Ending</b>				<b>\$ 12,062,911</b>

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



**EMERY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,442,375	\$ 1,702,205	\$ 3,229,777	\$ 522,318	\$ 9,896,675
Accounts receivable	439,712	1,976	2,970	78,583	523,241
Due from grantor government	145,197	-	-	-	145,197
Due from other funds	880,970	-	-	2,664	883,634
Stores inventory	-	-	-	590	590
Prepaid expenditures	33,896	-	-	1,255	35,151
<b>Total Assets</b>	<b>5,942,150</b>	<b>1,704,181</b>	<b>3,232,747</b>	<b>605,410</b>	<b>11,484,488</b>
<b>LIABILITIES</b>					
Accrued liabilities	580,663	291	-	81,345	662,299
Due to other funds	633,557	169,278	-	80,799	883,634
Current loans	757,908	-	-	-	757,908
Due to grantor government	757,908	-	-	-	757,908
Deferred revenue	26,907	-	-	-	26,907
<b>Total Liabilities</b>	<b>1,999,035</b>	<b>169,569</b>	<b>-</b>	<b>162,144</b>	<b>2,330,748</b>
<b>FUND BALANCES</b>					
Nonspendable	43,897	-	-	1,846	45,743
Restricted					
Educational programs	285,843	-	-	-	285,843
Capital projects	-	1,534,612	-	426,652	1,961,264
Debt service	-	-	3,232,747	-	3,232,747
Committed					
Assigned	36,055	-	-	15,614	51,669
Unassigned	3,577,320	-	-	(846)	3,576,474
<b>Total Fund Balances</b>	<b>3,943,115</b>	<b>1,534,612</b>	<b>3,232,747</b>	<b>443,266</b>	<b>9,153,740</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,942,150</b>	<b>\$ 1,704,181</b>	<b>\$ 3,232,747</b>	<b>\$ 605,410</b>	<b>\$ 11,484,488</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, 2018**

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**Total Fund Balance - Governmental Funds** \$ 9,153,740

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	\$ 105,937,059	
	Accumulated depreciation	<u>(11,089,066)</u>	94,847,993

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:

(819,176)

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	\$ 9,761,707	
	Compensated absences	28,986	
	General obligation bonds	79,833,152	
	Other general long-term debt	<u>2,268,478</u>	(91,892,323)

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:	\$ 2,922,669	
	Deferred inflows of resources relating to pensions:	<u>(1,286,077)</u>	1,636,592

**Total Net Position - Governmental Activities** \$ 12,062,911

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, 2018**

	General Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 6,534,878	\$ -	\$ -	\$ -	\$ 6,534,878
Federal sources	301,866	-	843,205	363,713	1,508,784
Other state sources	934,610	-	7,895	201,114	1,143,619
Other local sources	4,161,381	894,595	3,602,088	23,584	8,681,648
<b>Total Revenues</b>	<b>11,932,735</b>	<b>894,595</b>	<b>4,453,188</b>	<b>588,411</b>	<b>17,868,929</b>
<b>EXPENDITURES</b>					
Current					
Instruction	7,043,180	-	-	-	7,043,180
Instruction-related services		-			
Instructional supervision and administration	371,980	-	-	-	371,980
Instructional library, media, and technology	204,447	-	-	-	204,447
School site administration	779,145	-	-	-	779,145
Pupil services					
Home-to-school transportation	31,287	-	-	-	31,287
Food services	-	-	-	457,480	457,480
All other pupil services	684,221	-	-	-	684,221
General administration					
Centralized data processing	198,472	-	-	-	198,472
All other general administration	1,281,458	60	-	24,601	1,306,119
Plant services	1,189,382	-	-	30,711	1,220,093
Facilities acquisition and maintenance	-	859,495	-	840,065	1,699,560
Ancillary services	104,533	-	-	-	104,533
Community services	-	-	-	171,592	171,592
Enterprise activities	-	-	-	5,968	5,968
Debt service					
Principal	-	-	2,350,000	-	2,350,000
Interest and other	-	-	2,019,893	-	2,019,893
<b>Total Expenditures</b>	<b>11,888,105</b>	<b>859,555</b>	<b>4,369,893</b>	<b>1,530,417</b>	<b>18,647,970</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>44,630</b>	<b>35,040</b>	<b>83,295</b>	<b>(942,006)</b>	<b>(779,041)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	31,059	-	85,763	116,822
Transfers out	(116,822)	-	-	-	(116,822)
<b>Net Financing Sources (Uses)</b>	<b>(116,822)</b>	<b>31,059</b>	<b>-</b>	<b>85,763</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(72,192)</b>	<b>66,099</b>	<b>83,295</b>	<b>(856,243)</b>	<b>(779,041)</b>
<b>Fund Balance - Beginning</b>	<b>4,015,307</b>	<b>1,468,513</b>	<b>3,149,452</b>	<b>1,299,509</b>	<b>9,932,781</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,943,115</b>	<b>\$ 1,534,612</b>	<b>\$ 3,232,747</b>	<b>\$ 443,266</b>	<b>\$ 9,153,740</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, 2018**

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**Net Change in Fund Balances - Governmental Funds** \$ (779,041)

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:	\$ 1,319,512	
Depreciation expense:	<u>(1,729,137)</u>	(409,625)

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:

2,535,778

Unmatured interest on long-term debt

In governmental funds, accreted 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 period that 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.

(1,336,877)

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:

(2,873)

Pensions:

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

(457,427)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer OPEB 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:

(149,366)

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, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding for the period is:

354,543

**Change in Net Position of Governmental Activities** \$ (244,888)

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

**EMERY UNIFIED HIGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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	<u>Student Body Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,603
<b>LIABILITIES</b>	
Due to student groups	\$ 10,603

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, 2018**

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

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:

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

The District 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, 2018.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

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

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

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

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Basis of Presentation - Fund Accounting

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

A. Major Funds

1. 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.

2. Building Fund:

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

3. Capital Facilities Fund:

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

4. 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. Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Child Development, Cafeteria and Deferred Maintenance Funds.

The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Fund.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

Budgets and Budgetary Accounting

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

Receivables

Receivables 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, 2018.

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.



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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.

Compensated Absences

Compensated absences totaling \$28,986 are recorded as a long-term liability of the District.

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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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.

Fund Balance Classifications

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

A. Nonspendable Fund Balance:

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

B. Restricted Fund Balance:

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

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Fund Balance Classifications, continued

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, 2018, 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, 2018, no such designation has occurred.

E. Unassigned Fund Balance

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

Fund Balance Policy

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

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Fund Balance Policy, continued

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, 2018, 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.

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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should 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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Change in Accounting Principles, continued

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

Single employers are those whose employees are provided with defined benefit pensions through single employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Change in Accounting Principles, continued

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

New Accounting Pronouncements, continued

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.

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.



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

New Accounting Pronouncements, continued

This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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.

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.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Cash in county	\$ 9,880,251	\$ -
Cash on hand and in banks	10,000	6,424
<b>Total</b>	<b>\$ 9,890,251</b>	<b>\$ 6,424</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, 2018, 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, 2018, 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, 2018**

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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 \$9,860,824 and an amortized book value of \$9,880,251. The average weighted maturity for this pool is 357 days.

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018, pooled investments in the County Treasury were rated at least A by Moody’s Investors Service.

**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, 2018 were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 880,970	\$ 633,557
Child Development Fund	-	270
Cafeteria Fund	2,664	70,503
Building Fund	-	10,026
Capital Facilities Fund	-	169,278
Totals	\$ 883,634	\$ 883,634

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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 2017-18 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to support operations.	\$ 116,822
	<u>\$ 116,822</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<b>Balance July 01, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 930,622	\$ -	\$ -	\$ 930,622
Construction in progress	14,807,508	1,319,123	-	16,126,631
Total Capital Assets not Being Depreciated	15,738,130	1,319,123	-	17,057,253
Capital assets being depreciated				
Improvement of sites	1,452,572	-	-	1,452,572
Buildings	86,925,087	-	-	86,925,087
Machinery and equipment	501,758	389	-	502,147
Total Capital Assets Being Depreciated	88,879,417	389	-	88,879,806
Less Accumulated Depreciation				
Improvement of sites	4,487,849	58,228	-	4,546,077
Buildings	4,610,177	1,649,873	-	6,260,050
Machinery and equipment	261,903	21,036	-	282,939
Total Accumulated Depreciation	9,359,929	1,729,137	-	11,089,066
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 95,257,618</b>	<b>\$ (409,625)</b>	<b>\$ -</b>	<b>\$ 94,847,993</b>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Adjusted Balance			Balance June 30, 2018	Balance Due In One Year
	July 01, 2017	Additions*	Deductions		
<b>Governmental Activities</b>					
General obligation bonds*	\$ 77,184,705	\$ 1,336,877	\$ 2,350,000	\$ 76,171,582	\$ 2,005,000
GO bond premiums	4,016,113	-	354,543	3,661,570	-
Public facilities loan	2,454,256	-	185,778	2,268,478	232,672
OPEB	669,810	149,366	-	819,176	-
Compensated absences	26,113	2,873	-	28,986	-
<b>Total</b>	<b>\$ 84,350,997</b>	<b>\$ 1,489,116</b>	<b>\$ 2,890,321</b>	<b>\$ 82,949,792</b>	<b>\$ 2,237,672</b>

\*Includes accreted interest.

Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$28,986. 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, 2018 is shown below:

Series	Issuance Date	Interest Yield	Maturity Date	Amount of Original Issue	Bonds			Bonds	
					Outstanding July 1, 2017	Additions	Redeemed	Outstanding June 30, 2018	Due Within One Year
2011 Series A	4/21/2011	5.23-6.00%	8/1/2035	\$ 25,499,600	\$ 637,084	\$ 78,655	\$ -	\$ 715,739	\$ -
2011 Series B QSCB	10/12/2011	4.83%	8/1/2029	15,000,000	12,415,000	-	810,000	11,605,000	890,000
2012 Series C QSCB	2/23/2012	5.52%	2/1/2032	7,640,000	7,420,000	-	275,000	7,145,000	305,000
2013 Series D	1/31/2013	1.00-5.45%	8/1/2045	17,450,147	21,477,621	1,258,222	-	22,735,843	-
2015 Series E	12/2/2015	0.79-3.26%	8/1/2042	4,500,000	4,500,000	-	185,000	4,315,000	105,000
2015 Refunding	12/2/2015	2.00-5.00%	8/1/2022	2,860,000	2,350,000	-	450,000	1,900,000	455,000
2017 Series F	6/22/2017	0.88-1.78%	8/1/2025	1,300,000	1,300,000	-	-	1,300,000	165,000
2017 Refunding	6/22/2017	0.77-3.39%	8/1/2035	27,085,000	27,085,000	-	630,000	26,455,000	85,000
<b>Total</b>				<b>\$ 101,334,747</b>	<b>\$ 77,184,705</b>	<b>\$ 1,336,877</b>	<b>\$ 2,350,000</b>	<b>\$ 76,171,582</b>	<b>\$ 2,005,000</b>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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
2019	\$ -	\$ -	\$ -	\$ -
2020	118,141	-	191,859	310,000
2021	106,842	-	208,158	315,000
2022	99,617	-	230,383	330,000
Accretion	391,139	-	(391,139)	-
	<u>\$ 715,739</u>	<u>\$ -</u>	<u>\$ 239,261</u>	<u>\$ 955,000</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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
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	1,245,000	368,167	(346,062)	1,267,105
2024-2027	4,955,000	824,843	(775,317)	5,004,526
2028-2030	2,045,000	150,815	(141,761)	2,054,054
	<u>\$ 11,605,000</u>	<u>\$ 3,264,475</u>	<u>\$ (3,068,471)</u>	<u>\$ 11,801,004</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
2019	\$ 305,000	\$ 385,986	\$ (344,730)	\$ 346,256
2020	260,000	370,392	(330,803)	344,589
2021	290,000	355,212	(317,246)	297,966
2022	320,000	338,376	(302,209)	326,167
2023	440,000	317,400	(283,475)	353,925
2024-2027	1,850,000	1,000,224	(893,317)	1,956,907
2028-2032	3,680,000	722,982	(645,706)	3,757,276
	<u>\$ 7,145,000</u>	<u>\$ 3,490,572</u>	<u>\$ (3,117,486)</u>	<u>\$ 7,383,086</u>



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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
2019	\$ -	\$ 66,000	\$ -	\$ 66,000
2020	-	66,000	-	66,000
2021	-	66,000	-	66,000
2022	-	66,000	-	66,000
2023	-	66,000	-	66,000
2024-2027	-	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	5,656,243	-	(5,656,243)	-
	<u>\$ 22,735,843</u>	<u>\$ 1,914,000</u>	<u>\$ 44,389,157</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
2019	\$ 105,000	185,206	\$ 290,206
2020	-	183,106	290,206
2021	15,000	183,106	183,106
2022	30,000	182,656	198,106
2023	40,000	181,756	212,656
2024-2027	270,000	708,276	978,276
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>\$ 4,315,000</u>	<u>\$ 3,456,932</u>	<u>\$ 7,840,382</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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
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>\$ 1,900,000</u>	<u>\$ 242,200</u>	<u>\$ 2,142,200</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
2019	\$ 165,000	\$ 37,850	\$ 202,850
2020	165,000	34,550	202,850
2021	140,000	31,250	199,550
2022	150,000	27,050	171,250
2023	155,000	21,800	177,050
2024-2026	525,000	29,225	554,225
	<u>\$ 1,300,000</u>	<u>\$ 181,725</u>	<u>\$ 1,507,775</u>

2017 General Obligation Refunding Bonds

Fiscal Year	Principal	Interest	Total
2019	\$ 85,000	\$ 1,102,081	\$ 1,187,081
2020	85,000	1,100,381	1,187,081
2021	80,000	1,098,682	1,185,381
2022	70,000	1,096,281	1,178,682
2023	70,000	1,093,831	1,166,281
2024-2027	1,820,000	4,351,700	6,171,700
2028-2032	11,050,000	4,016,156	15,066,156
2033-2036	13,195,000	1,122,376	14,317,376
	<u>\$ 26,455,000</u>	<u>\$ 14,981,488</u>	<u>\$ 41,459,738</u>

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**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, 2018 is \$2,268,478 with \$232,672 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 – 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 3 retirees and beneficiaries currently receiving benefits and 65 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.

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2018:

	<u>Number of Participants</u>
Inactive Employees/Dependents Receiving Benefits	3
Inactive Employees/Dependents Entitled to but not yet Receiving Benefi	-
Active Employees	<u>65</u>
	<u>68</u>

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Contributions

Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates but contributes in an amount sufficient to fully fund the Net OPEB obligation over a period not to exceed 30 years.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	3.80%
Discount rate	3.80%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance July 1, 2017	\$ 669,810	\$ -	\$ 669,810
Changes for the year:			
Service cost	172,048	-	172,048
Interest	27,675	-	27,675
Employer contributions	-	50,357	(50,357)
Benefit payments	(50,357)	(50,357)	-
Net change	149,366	-	149,366
Balance June 30, 2018	\$ 819,176	\$ -	\$ 819,176

Fiduciary Net Position as a percentage of the Total OPEB Liability was 0% as of June 30, 2018.

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 3.80 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.80 percent) and 1 percent higher (4.80 percent):

	Discount Rate 1% Lower (2.80%)	Current Discount Rate (3.80%)	Discount Rate 1% Higher (4.80%)
Net OPEB liability	\$ 858,775	\$ 819,176	\$ 783,737

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.00 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.00 percent) and 1 percent higher (5.00 percent):

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 793,197	\$ 819,176	\$ 842,198

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 7 – 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	\$ 7,645,527	\$ 2,121,339	\$ 1,044,757	\$ 788,927
CalPERS	2,116,180	801,330	241,320	531,574
Total	\$ 9,761,707	\$ 2,922,669	\$ 1,286,077	\$ 1,320,501

**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 publicly 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, 2018**

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**NOTE 7 – 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, 2018, 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, 2018, 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, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,116,180. 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, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.009 percent and 0.008 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, 2018**

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**NOTE 7 – 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, 2018, the District recognized a pension expense of \$531,574. At June 30, 2018, 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	\$ 8,559	\$ -
Differences between expected and actual experience	79,821	-
Changes in assumptions	306,459	30,946
Net changes in proportionate share of net pension liability	220,093	210,374
District contributions subsequent to the measurement date	186,398	-
Total	<u>\$ 801,330</u>	<u>\$ 241,320</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/(Inflows) of Resources
2019	\$ 196,938
2020	53,278
2021	147,474
2022	(24,078)
2023	-
Thereafter	-
	<u>\$ 373,612</u>



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 7 – NET PENSION LIABILITY, continued**

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

**Actuarial assumptions** - For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
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	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	100%		

\*An expected inflation of 2.5% used for this period

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

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 7 – 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 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the 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 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 3,113,579	\$ 2,116,180	\$ 1,288,754

**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, 2018**

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**NOTE 7 – 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 publicly 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, 2018 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	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

\*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, 2018**

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**NOTE 7 – 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, 2018, are presented above and the District's total contributions were \$676,678.

**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, 2018, 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	\$ 7,645,527
State's proportionate share of the net pension liability associated with the District	4,523,065
Total	<u>\$ 12,168,592</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, 2018 and June 30, 2017, respectively, was 0.008 percent and 0.009 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, 2018**

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**NOTE 7 – NET PENSION LIABILITY, 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, 2018, the District recognized pension expense of \$788,927. At June 30, 2018, 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	\$ -	\$ 345,068
Differences between expected and actual experience	28,274	145,335
Changes in assumptions	1,416,387	-
Net changes in proportionate share of net pension liability	-	554,354
District contributions subsequent to the measurement date	676,678	-
Total	<u>\$ 2,121,339</u>	<u>\$ 1,044,757</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/(Inflows) of Resources
2019	\$ (24,409)
2020	(24,409)
2021	103,118
2022	(108,087)
2023	212,915
Thereafter	240,776
	<u>\$ 399,904</u>

**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 7 – 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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, 2018**

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**NOTE 7 – 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 7.10 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 (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate -**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10% percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 11,226,060	\$ 7,645,527	\$ 4,739,681

**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 8 – 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, 2018**

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**NOTE 9 – 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, 2018.

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, 2018.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The beginning net position increased by \$163,673. This was due to adjustments made to bring on the net OPEB liabilities following the District's implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 2, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

**NOTE 11 – SUBSEQUENT EVENTS**

The District evaluated subsequent events from June 30, 2018 through December 15, 2018, 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, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 6,477,600	\$ 6,539,927	\$ 6,534,878	\$ (5,049)
Federal sources	259,907	301,374	301,866	492
Other state sources	619,558	848,897	934,610	85,713
Other local sources	3,907,407	4,080,650	4,161,095	80,445
<b>Total Revenues</b>	<b>11,264,472</b>	<b>11,770,848</b>	<b>11,932,449</b>	<b>161,601</b>
<b>EXPENDITURES</b>				
Certificated salaries	5,058,300	5,030,965	4,893,151	137,814
Classified salaries	1,166,101	1,186,595	1,197,325	(10,730)
Employee benefits	3,162,833	3,057,443	3,089,661	(32,218)
Books and supplies	300,999	604,784	380,707	224,077
Services and other operating expenditures	2,375,468	2,395,813	2,351,862	43,951
Capital outlay	-	-	-	-
Other outgo				
Transfers of indirect costs	(24,108)	(24,140)	(24,601)	461
<b>Total Expenditures</b>	<b>12,039,593</b>	<b>12,251,460</b>	<b>11,888,105</b>	<b>363,355</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(775,121)</b>	<b>(480,612)</b>	<b>44,344</b>	<b>524,956</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(125,315)	(140,599)	(116,822)	23,777
<b>Net Financing Sources (Uses)</b>	<b>(125,315)</b>	<b>(140,599)</b>	<b>(116,822)</b>	<b>23,777</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(900,436)</b>	<b>(621,211)</b>	<b>(72,478)</b>	<b>548,733</b>
<b>Fund Balance - Beginning</b>	<b>3,979,538</b>	<b>3,979,538</b>	<b>3,979,538</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,079,102</b>	<b>\$ 3,358,327</b>	<b>\$ 3,907,060</b>	<b>\$ 548,733</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:

- On behalf payments are not included in the actual revenues and expenditures reported in this schedule.
- Other audit adjustments were made and are not reflected on this schedule.
- 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.

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	2018
Total OPEB liability	
Service cost	\$ 172,048
Interest on Total OPEB Liability	27,675
Benefit payments	(50,357)
Net change in total OPEB liability	149,366
Total OPEB liability, beginning of year	669,810
Total OPEB liability, end of year (a)	<u>\$ 819,176</u>
Plan fiduciary net position	
Employer contributions	\$ 50,357
Benefit payments	(50,357)
Change in plan fiduciary net position	-
Fiduciary trust net position, beginning of year	-
Fiduciary trust net position, end of year (b)	<u>\$ -</u>
Net OPEB liability(asset), ending (a) - (b)	<u>\$ 819,176</u>
Covered payroll	\$ 5,695,727
Plan fiduciary net position as a percentage of the total OPEB liability(asset)	0.00%
Net OPEB liability(asset) as a percentage of covered payroll	14.38%

*This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.*

**EMERY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF CONTRIBUTIONS - OPEB  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	2018
Actuarially determined contribution	\$ 50,357
Contributions in relations to the actuarially determined contribution	50,357
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 5,695,727
Contribution as a percentage of covered-employee payroll	0.88%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2018**

<b>CaSTRS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.008%	0.009%	0.009%	0.010%
District's proportionate share of the net pension liability	\$ 7,645,527	\$ 7,082,732	\$ 6,257,800	\$ 5,551,760
State's proportionate share of the net pension liability associated with the District	4,523,065	4,032,666	3,309,677	3,355,432
Total	\$ 12,168,592	\$ 11,115,398	\$ 9,567,477	\$ 8,907,192
District's covered - employee payroll	\$ 4,689,383	\$ 4,331,447	\$ 7,240,727	\$ 4,272,162
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	163.04%	163.52%	86.43%	129.95%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.00%	74.00%	77.00%
<b>CaIPERS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.009%	0.008%	0.011%	0.015%
District's proportionate share of the net pension liability	\$ 2,116,180	\$ 1,618,982	\$ 1,622,872	\$ 1,666,246
District's covered - employee payroll	\$ 1,341,958	\$ 1,164,887	\$ 946,902	\$ 1,281,939
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	157.69%	138.98%	171.39%	129.98%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	79.40%	83.50%

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS - PENSIONS  
JUNE 30, 2018**

<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>			
	2018	2017	2016	2015
Statutorily required contribution	\$ 676,678	\$ 544,896	\$ 776,930	\$ 379,368
District's contributions in relation to the statutorily required contribution	676,678	544,896	776,930	379,368
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,689,383	\$ 4,331,447	\$ 7,240,727	\$ 4,272,162
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

  

<b>CalPERS</b>	<b>Reporting Fiscal Year</b>			
	2018	2017	2016	2015
Statutorily required contribution	\$ 186,398	\$ 159,240	\$ 115,238	\$ 151,397
District's contributions in relation to the statutorily required contribution	186,398	159,240	115,238	151,397
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,341,958	\$ 1,164,887	\$ 946,902	\$ 1,281,939
District's contributions as a percentage of covered-employee payroll	13.89%	13.67%	12.17%	11.81%

See accompanying note to required supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**General fund – 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 Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68.

**Schedule of Contributions – OPEB**

This schedule is required by GASB Statement No. 71.

**Schedule of Contributions – Pensions**

This schedule is required by GASB Statement No. 68.

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

For the year ended June 30, 2018, 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			
Classified salaries	\$ 1,186,595	\$ 1,197,325	\$ (10,730)
Employee benefits	\$ 3,057,443	\$ 3,089,661	\$ (32,218)

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**SUPPLEMENTARY  
INFORMATION**

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**EMERY UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
JUNE 30, 2018**

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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, 2018.

GOVERNING BOARD

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

ADMINISTRATION

Dr. Quiauna Scott, Superintendent

Dora Siu, Business Manager

**EMERY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Second Period Report</b>	<b>Annual Report</b>
Elementary:		
Transitional Kindergarten through Third	223.23	220.89
Fourth through Sixth	155.86	155.42
Seventh and Eighth	102.71	101.79
	<hr/>	<hr/>
	481.80	478.10
High School:		
Ninth through Twelfth	168.29	167.86
	<hr/>	<hr/>
ADA Totals	650.09	645.96
	<hr/>	<hr/>

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2017-18</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	56,070	180	N/A	Complied
Grade 2	50,400	56,070	180	N/A	Complied
Grade 3	50,400	56,070	180	N/A	Complied
Grade 4	54,000	56,070	180	N/A	Complied
Grade 5	54,000	56,070	180	N/A	Complied
Grade 6	54,000	56,070	180	N/A	Complied
Grade 7	54,000	58,055	180	N/A	Complied
Grade 8	54,000	58,055	180	N/A	Complied
Grade 9	64,800	65,652	180	N/A	Complied
Grade 10	64,800	65,652	180	N/A	Complied
Grade 11	64,800	65,652	180	N/A	Complied
Grade 12	64,800	65,652	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 - UNAUDITED**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019 (Budget)</b>		<b>2018</b>		<b>2017</b>		<b>2016</b>	
General Fund - Budgetary Basis**								
Revenues and Other Financing Sources	\$	12,186,384	\$	11,932,449	\$	12,081,212	\$	11,034,512
Expenditures and Other Financing Uses		12,418,113		12,004,927		11,499,919		10,025,952
Net Change in Fund Balance		(231,729)		(72,478)		581,293		1,008,560
Ending Fund Balance	\$	3,675,331	\$	3,907,060	\$	3,979,538	\$	3,398,245
Available Reserves*	\$	3,168,151	\$	3,577,320	\$	3,598,748	\$	401,039
Available Reserves as a Percentage of Outgo		25.51%		29.80%		31.29%		4.00%
Long-term Debt	\$	80,712,120	\$	82,949,792	\$	84,514,670	\$	78,405,663
Average Daily Attendance at P-2		650		650		650		669

\* 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 \$508,815 over the past two years. The fiscal year 2018-19 budget projects an decrease of \$(231,729). 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 deficit in the 2017-18 fiscal year and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term debt has increased by \$4,544,129 over the past two years.

Average daily attendance has decreased by 19 over the past two years. ADA is anticipated to remain the same during fiscal year 2018-19

**EMERY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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There was no adjustment to the unaudited actual financial report which required reconciliation to the audited financial statements at June 30, 2018

**EMERY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

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	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,982	\$ 31,266	\$ 15,614	\$ 466,456	\$ 522,318
Accounts receivable	27	76,706	-	1,850	78,583
Stores inventory	-	590	-	-	590
<b>Total Assets</b>	<b>9,009</b>	<b>112,481</b>	<b>15,614</b>	<b>468,306</b>	<b>605,410</b>
<b>LIABILITIES</b>					
Accrued liabilities	8,739	40,978	-	31,628	81,345
Due to other funds	270	70,503	-	10,026	80,799
<b>Total Liabilities</b>	<b>9,009</b>	<b>111,481</b>	<b>-</b>	<b>41,654</b>	<b>162,144</b>
<b>FUND BALANCES</b>					
Non-spendable	-	1,846	-	-	1,846
Spendable					
Restricted					
Capital projects	-	-	-	426,652	426,652
Assigned	-	-	15,614	-	15,614
Unassigned	-	(846)	-	-	(846)
<b>Total Fund Balances</b>	<b>-</b>	<b>1,000</b>	<b>15,614</b>	<b>426,652</b>	<b>443,266</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 9,009</b>	<b>\$ 112,481</b>	<b>\$ 15,614</b>	<b>\$ 468,306</b>	<b>\$ 605,410</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, 2018**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Federal sources	\$ -	\$ 363,713	\$ -	\$ -	\$ 363,713
Other state sources	171,441	29,673	-	-	201,114
Other local sources	380	9,630	166	13,408	23,584
<b>Total Revenues</b>	<b>171,821</b>	<b>403,016</b>	<b>166</b>	<b>13,408</b>	<b>588,411</b>
<b>EXPENDITURES</b>					
Pupil services				-	
Food services	-	457,480	-	-	457,480
General administration				-	-
All other general administration	270	24,331	-	-	24,601
Plant services	-	-	-	30,711	30,711
Facilities acquisition and maintenance	-	-	-	840,065	840,065
Community services	171,551	-	41	-	171,592
Enterprise activities	-	5,968	-	-	5,968
<b>Total Expenditures</b>	<b>171,821</b>	<b>487,779</b>	<b>41</b>	<b>870,776</b>	<b>1,530,417</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	-	(84,763)	125	(857,368)	(942,006)
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	85,763	-	-	85,763
<b>Net Financing Sources (Uses)</b>	-	85,763	-	(857,368)	85,763
<b>NET CHANGE IN FUND BALANCE</b>	-	1,000	125	(857,368)	(856,243)
<b>Fund Balance - Beginning</b>	-	-	15,489	1,284,020	1,299,509
<b>Fund Balance - Ending</b>	\$ -	\$ 1,000	\$ 15,614	\$ 426,652	\$ 443,266

See accompanying note to supplementary information.



**EMERY UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

Organization

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 (ADA)

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 46201 through 46206.

Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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  
JUNE 30, 2018**

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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, 2018, 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**

Independent Auditors' Report

Board of Trustees  
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, 2018, 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 15, 2018.

**Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 1 to the financial statements, in 2018, the Districted adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

**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. We consider the deficiencies described in the accompanying schedule of finding and questioned costs to be significant deficiency. (Findings #2018-01)

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*.

### **Emery Unified School District**

Emery Unified School District's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. Emery Unified School District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

  
San Diego, California  
December 15, 2018



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Independent Auditors' Report

Board of Trustees  
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 2017-18 *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, 2018, 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 2017-18 *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, 2018.

**Other Matters**

Emery Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Emery Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Yes
Apprenticeship	No, see below

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 does not have any apprenticeship programs; therefore, we did not perform any procedures related to apprenticeships.

*CWDL, Certified Public Accountants*

San Diego, California  
December 15, 2018



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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, 2018**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</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, 2018**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

FINDING #2018-01: CASH DISBURSEMENTS (30000)

**Criteria:** The District should ensure a procedure exists to accrue all liabilities during the year end closing process. This will allow the District to verify that proper budget tracking occurs and that proper expenses are reflected in the fiscal year goods or services were provided.

**Condition:** A portion of expenditures were not accrued at June 30, 2018 for a contract with one vendor as the billing was not updated. This causes a potential for budget overages and inaccurate expenses in the fiscal year ending June 30, 2018.

**Cause:** An internal control weakness exists regarding the proper accrual and obtaining updated billing from all vendors during year end close.

**Effect:** Funds are not encumbered in the District budgeting process and all expenses are not properly accrued.  
Perspective: One (1) of 40 expenditures tested did not contain all services provided through June 30, 2018.

- Vendor #1 – Amount accrued \$3,967.43, actual invoice amount that should have been accrued \$23,758.79

**Recommendation:** We recommend that the District ensure all District staff overseeing long term contracts obtain invoices for all services provided through June 30 in any given year, and properly accrue the full amount.

**District Response:** The District concurs with this recommendation and will implement new procedures to ensure that all amounts are properly accrued.

**EMERY UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FIVE DIGIT CODE**

10000  
40000  
41000  
60000  
61000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
CalSTRS  
Miscellaneous  
Classroom Teacher Salaries  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

***There were no state award findings and questioned costs in 2017-18.***

**EMERY UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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*There were no audit findings or recommendations in 2016-17.*