

EMERY UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2020



**EMERY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL SECTION

Independent Auditors’ Report..... 1
 Management’s Discussion and Analysis.....4
 Basic Financial Statements
 Government-wide Financial Statements
 Statement of Net Position..... 11
 Statement of Activities..... 12
 Fund Financial Statements
 Governmental Funds – Balance Sheet..... 13
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 14
 Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances 15
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
 Balances to the Statement of Activities 16
 Fiduciary Funds – Statement of Net Position 17
 Notes to Financial Statements..... 18

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule..... 52
 Schedule of Changes in the Net OPEB Liability and Related Ratios..... 53
 Schedule of Contributions - OPEB.....54
 Schedule of Proportionate Share of the Net Pension Liability 55
 Schedule of Contributions - Pensions..... 56
 Notes to Required Supplementary Information..... 57

SUPPLEMENTARY INFORMATION

Local Education Agency Organization Structure..... 59
 Schedule of Average Daily Attendance (ADA) 60
 Schedule of Instructional Time..... 61
 Schedule of Financial Trends and Analysis 62
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 63
 Schedule of Charter Schools 64
 Combining Statements - Non-Major Governmental Funds
 Combining Balance Sheet..... 65
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 66
 Notes to Supplementary Information 67

**EMERY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2020**

OTHER INDEPENDENT AUDITORS' REPORTS

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* 69
Independent Auditors' Report on State Compliance 71

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results..... 74
Financial Statement Findings..... 75
State Award Findings and Questioned Costs..... 76
Summary Schedule of Prior Audit Findings 77

FINANCIAL SECTION



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, 2020, 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, 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 March 5, 2021 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
March 5, 2021

**EMERY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. Please read it in conjunction with the Independent Auditors’ 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 increased during the 2019-20 fiscal year. Over the course of the year, total net position increased by 16.48%.
- On the Statement of Activities, total current year revenues were more than total current year expenditures by \$1,608,845.
- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total fund balances increased by \$12,457,337.
- Capital assets increased \$16,774 due primarily to increases in accumulated depreciation, offset by increases in construction-in-progress.
- Total long-term liabilities increased \$12,458,978 during the fiscal year. The schedule of changes in long-term liabilities on page 30 provides additions and deductions to the District’s liabilities.
- The District’s P-2 average daily attendance (ADA), excluding adult education, increased to 689 ADA for 2019-20 compared with 686 fiscal year 2018-19.

**EMERY UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020 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, 2020**

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 2019-20 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, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net position increased from \$9,727,001 at June 30, 2019 to \$11,330,392 at June 30, 2020, approximately 16.48%.

| | Governmental Activities | | |
|---|--------------------------------|---------------------|---------------------|
| | 2020 | 2019 | Net Change |
| ASSETS AND DEFERRED OUTFLOWS | | | |
| Current and other assets | \$ 24,169,574 | \$ 11,454,184 | \$ 12,715,390 |
| Capital assets | 92,146,791 | 92,130,017 | 16,774 |
| Deferred outflows | 2,647,589 | 2,775,305 | (127,716) |
| Total Assets and Deferred Outflows | 118,963,954 | 106,359,506 | 12,604,448 |
| LIABILITIES AND DEFERRED INFLOWS | | | |
| Current liabilities | 3,645,154 | 3,137,400 | (507,754) |
| Net pension liability | 10,560,152 | 10,381,247 | (178,905) |
| Long-term liabilities | 94,348,201 | 81,889,223 | (12,458,978) |
| Deferred inflows | 1,135,271 | 1,224,635 | 89,364 |
| Total Liabilities and Deferred Inflows | 109,688,778 | 96,632,505 | (13,056,273) |
| NET POSITION | | | |
| Net investment in capital assets | 8,862,415 | 11,473,271 | (2,610,856) |
| Restricted | 7,628,525 | 5,664,068 | 1,964,457 |
| Unrestricted | (3,052,894) | (7,410,338) | 4,357,444 |
| Total Net Position | \$ 13,438,046 | \$ 9,727,001 | \$ 3,711,045 |

**EMERY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE, continued

GOVERNMENTAL ACTIVITIES, continued

| | Governmental Activities | | |
|--|--------------------------------|---------------------|---------------------|
| | 2020 | 2019 | Net Change |
| REVENUES | | | |
| Program revenues | | | |
| Charges for services | \$ 9,990 | \$ - | \$ 9,990 |
| Operating grants and contributions | 4,013,015 | 4,031,705 | (18,690) |
| General revenues | | | |
| Property taxes | 13,795,255 | 12,620,612 | 1,174,643 |
| Unrestricted federal and state aid | 1,727,872 | 2,035,081 | (307,209) |
| Other | 689,889 | 830,903 | (141,014) |
| Total Revenues | 20,236,021 | 19,518,301 | 717,720 |
| EXPENSES | | | |
| Instruction | 7,807,634 | 8,121,789 | (314,155) |
| Instruction-related services | 1,527,873 | 1,625,757 | (97,884) |
| Pupil services | 1,702,884 | 1,467,553 | 235,331 |
| General administration | 1,649,909 | 1,750,668 | (100,759) |
| Plant services | 1,433,331 | 1,587,370 | (154,039) |
| Interest | 91,598 | 112,914 | (21,316) |
| Other outgo | 2,301,596 | 6,293,981 | (3,992,385) |
| Community services | 4,697 | 160,633 | (155,936) |
| Total Expenses | 16,519,522 | 21,120,665 | (4,601,143) |
| Change in net position | 3,716,499 | (1,602,364) | 5,318,863 |
| Net Position - Beginning | 9,727,001 | 12,062,911 | (2,335,910) |
| Prior Period Adjustment - (Note 10) | (5,454) | (733,546) | 728,092 |
| Net Position - Ending | \$ 13,438,046 | \$ 9,727,001 | \$ 3,711,045 |

**EMERY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE, continued

GOVERNMENTAL ACTIVITIES, continued

Capital assets increased \$16,774 due primarily to the increases in accumulated depreciation.

| | Governmental Activities | | |
|-----------------------------|--------------------------------|----------------------|-------------------|
| | 2020 | 2019 | Net Change |
| CAPITAL ASSETS | | | |
| Land | \$ 930,622 | \$ 930,622 | \$ - |
| Construction in progress | 288,256 | - | 288,256 |
| Improvement of sites | 1,571,185 | 1,571,185 | - |
| Buildings & improvements | 101,753,098 | 101,753,098 | - |
| Machinery & equipment | 1,085,683 | 1,085,683 | - |
| Accumulated depreciation | (13,482,053) | (13,210,571) | (271,482) |
| Total Capital Assets | \$ 92,146,791 | \$ 92,130,017 | \$ 16,774 |

The general obligation bonds and accrued interest are financed by the local taxpayers and represent 97.4% of the District's total long-term liabilities. The public facilities loan is financed by RDA pass-thru funds and represents 1.6% 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.

| | Governmental Activities | | |
|------------------------------------|--------------------------------|----------------------|----------------------|
| | 2020 | 2019 | Net Change |
| LONG-TERM LIABILITIES | | | |
| General obligation bonds | \$ 91,880,525 | \$ 78,999,409 | \$ 12,881,116 |
| Public facilities loan | 1,522,246 | 1,877,952 | (355,706) |
| Compensated absences | 29,006 | 17,273 | 11,733 |
| OPEB | 916,424 | 994,589 | (78,165) |
| Total Long-term Liabilities | \$ 94,348,201 | \$ 81,889,223 | \$ 12,458,978 |

**EMERY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time the financial statements were prepared and audited, the Covid 19 caused the District to shut down starting March 2020 which affected our expenses and made the future financial forecast unknown at the time of the 2020-21 budget adoption. The budget adopted in June was based on the May Revise which reflected the uncertainties caused by Covid 19. But eventually the 2020-2021 State budget signed by the Governor on June 29, 2020 had significant changes. School districts were largely spared the magnitude of cuts proposed by shifting revenue reductions to cash deferrals. In addition, Federal stimulus Learning Loss Mitigation grants offered big support to the District as we navigated through distance learning instruction. The State also provided further relief by buying-down long-term unfunded pension liabilities which reduced the 2020-21 and 2021-22 pension costs.

The District experienced a decline of enrollment from 722 in 2019-20 to 696 in 20-21. The District will continue to closely monitor enrollment in the coming years. Additional provisions allowing school districts to be held-harmless in ADA allowed a level of security and time to assess and prepare for fiscal uncertainties stemming from the pandemic. With careful planning and monitoring of its finances, the Governing Board of the Emery Unified School District believes that it can continue to provide high quality educational program to our students. The District closed the year with a 36 percent General Reserve.

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, 2020

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 23,383,565 |
| Accounts receivable | 478,709 |
| Due from grantor government | 306,676 |
| Stores inventory | 624 |
| Capital assets, not depreciated | 1,218,878 |
| Capital assets, net of accumulated depreciation | 90,927,913 |
| Total Assets | 116,316,365 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - refunding | 4,525,703 |
| Deferred outflows of resources - pensions | 2,500,071 |
| Deferred outflows of resources - OPEB | 147,518 |
| LIABILITIES | |
| Accrued liabilities | 2,942,581 |
| Unearned revenue | 30,302 |
| Due to grantor government | 672,271 |
| Net pension liability | 10,560,152 |
| Long-term liabilities, current portion | 2,377,154 |
| Long-term liabilities, non-current portion | 91,971,047 |
| Total Liabilities | 108,553,507 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions | 1,135,271 |
| Deferred inflows of resources - OPEB | 362,833 |
| NET POSITION | |
| Net investment in capital assets | 8,862,415 |
| Restricted: | |
| Capital projects | 3,739,358 |
| Debt service | 3,832,977 |
| Educational programs | 56,190 |
| Unrestricted | (3,052,894) |
| Total Net Position | \$ 13,438,046 |

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

**EMERY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| Function/Programs | Expenses | Program Revenues | | Revenues and Changes in Net Position |
|--|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | \$ 7,807,634 | \$ 92 | \$ 1,123,835 | \$ (6,683,707) |
| Instruction-related services | | | | |
| Instructional supervision and administration | 538,705 | - | 142,278 | (396,427) |
| Instructional library, media, and technology | 139,000 | - | 12,017 | (126,983) |
| School site administration | 850,168 | - | 52,074 | (798,094) |
| Pupil services | | | | |
| Home-to-school transportation | 48,723 | - | - | (48,723) |
| Food services | 632,724 | - | 421,297 | (211,427) |
| All other pupil services | 1,021,437 | 33 | 493,996 | (527,408) |
| General administration | | | | |
| Centralized data processing | 185,831 | - | - | (185,831) |
| All other general administration | 1,464,078 | - | 127,145 | (1,336,933) |
| Plant services | 1,433,331 | - | 505,141 | (928,190) |
| Ancillary services | - | - | 1,668 | 1,668 |
| Interest on long-term debt | 91,598 | - | - | (91,598) |
| Community services | 4,697 | - | - | (4,697) |
| Enterprise activities | 615 | - | 4,609 | 3,994 |
| Other outgo | 2,029,499 | 9,865 | 1,128,955 | (890,679) |
| Depreciation (unallocated) | 271,482 | - | - | (271,482) |
| Total Governmental Activities | \$ 16,519,522 | \$ 9,990 | \$ 4,013,015 | \$ (12,496,517) |
| General revenues | | | | |
| Taxes and subventions | | | | |
| Property taxes, levied for general purposes | | | \$ | 6,392,988 |
| Property taxes, levied for debt service | | | | 3,695,944 |
| Property taxes, levied for other specific purposes | | | | 3,706,323 |
| Federal and state aid not restricted for specific purposes | | | | 1,727,872 |
| Interest and investment earnings | | | | 110,561 |
| Interagency revenues | | | | 128,844 |
| Miscellaneous | | | | 450,484 |
| Subtotal, General Revenue | | | | 16,213,016 |
| CHANGE IN NET POSITION | | | | 3,716,499 |
| Net Position - Beginning | | | | 9,727,001 |
| Prior Period Adjustment - (Note 10) | | | | (5,454) |
| Net Position - Ending | | | | \$ 13,438,046 |

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

**EMERY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

| | General Fund | Building Fund | Capital Facilities Fund | Bond Interest & Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-------------------------|---------------------------------|------------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,358,134 | \$ 10,157,165 | \$ 3,934,460 | \$ 3,822,977 | \$ 110,829 | \$ 23,383,565 |
| Accounts receivable | 332,975 | 48,900 | 11,690 | 10,000 | 75,144 | 478,709 |
| Due from grantor government | 306,676 | - | - | - | - | 306,676 |
| Due from other funds | 289,330 | 5,453 | 15,529 | - | 27,177 | 337,489 |
| Stores inventory | - | - | - | - | 624 | 624 |
| Total Assets | 6,287,115 | 10,211,518 | 3,961,679 | 3,832,977 | 213,774 | 24,507,063 |
| LIABILITIES | | | | | | |
| Accrued liabilities | 771,378 | 90,622 | 3,500 | - | 119,491 | 984,991 |
| Due to other funds | 48,159 | 2,501 | 218,821 | - | 68,008 | 337,489 |
| Due to grantor government | 672,271 | - | - | - | - | 672,271 |
| Deferred revenue | 30,302 | - | - | - | - | 30,302 |
| Total Liabilities | 1,522,110 | 93,123 | 222,321 | - | 187,499 | 2,025,053 |
| FUND BALANCES | | | | | | |
| Nonspendable | 10,000 | - | - | - | 624 | 10,624 |
| Restricted | | | | | | |
| Educational programs | 46,814 | - | - | - | 9,376 | 56,190 |
| Capital projects | - | 10,118,395 | 3,739,358 | - | - | 13,857,753 |
| Debt service | - | - | - | 3,832,977 | - | 3,832,977 |
| Unassigned | 4,670,615 | - | - | - | - | 4,670,615 |
| Total Fund Balances | 4,765,005 | 10,118,395 | 3,739,358 | 3,832,977 | 26,275 | 22,482,010 |
| Total Liabilities and Fund Balances | \$ 6,287,115 | \$ 10,211,518 | \$ 3,961,679 | \$ 3,832,977 | \$ 213,774 | \$ 24,507,063 |

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, 2020

Total Fund Balance - Governmental Funds \$ 22,482,010

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 | \$ 105,628,844 | |
| | Accumulated depreciation | <u>(13,482,053)</u> | 92,146,791 |

Deferred gain or loss on debt refunding:

In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:

4,525,703

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:

(1,957,590)

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:

(916,424)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB):

In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are related to OPEB are reported

| | | | |
|--|--|------------------|-----------|
| | Deferred outflows of resources relating to OPEB: | \$ 147,518 | |
| | Deferred inflows of resources relating to OPEB: | <u>(362,833)</u> | (215,315) |

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 | \$ 10,560,152 | |
| | Compensated absences | 29,006 | |
| | General obligation bonds | 91,880,525 | |
| | Other general long-term debt | <u>1,522,246</u> | (103,991,929) |

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: | \$ 2,500,071 | |
| | Deferred inflows of resources relating to pensions: | <u>(1,135,271)</u> | 1,364,800 |

Total Net Position - Governmental Activities \$ 13,438,046

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, 2020**

| | General Fund | Building Fund | Capital Facilities Fund | Bond Interest & Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-------------------------|---------------------------------|------------------------------|--------------------------|
| REVENUES | | | | | | |
| LCFF sources | \$ 7,879,281 | \$ - | \$ - | \$ - | \$ - | 7,879,281 |
| Federal sources | 360,320 | - | - | 734,785 | 416,476 | 1,511,581 |
| Other state sources | 1,072,836 | - | - | 7,337 | 301,340 | 1,381,513 |
| Other local sources | 4,324,376 | 170,539 | 1,104,664 | 3,744,274 | 921 | 9,344,774 |
| Total Revenues | 13,636,813 | 170,539 | 1,104,664 | 4,486,396 | 718,737 | 20,117,149 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 7,522,507 | - | - | - | - | 7,522,507 |
| Instruction-related services | | | | | | |
| Instructional supervision and administration | 508,285 | - | - | - | - | 508,285 |
| Instructional library, media, and technology | 132,715 | - | - | - | - | 132,715 |
| School site administration | 795,152 | - | - | - | - | 795,152 |
| Pupil services | | | | | | |
| Home-to-school transportation | 48,723 | - | - | - | - | 48,723 |
| Food services | - | - | - | - | 603,816 | 603,816 |
| All other pupil services | 719,262 | - | - | - | 274,798 | 994,060 |
| General administration | | | | | | |
| Centralized data processing | 169,600 | - | - | - | - | 169,600 |
| All other general administration | 1,338,943 | - | - | - | 31,654 | 1,370,597 |
| Plant services | 1,333,511 | 14,484 | - | - | - | 1,347,995 |
| Facilities acquisition and maintenance | 2,800 | 258,275 | 27,181 | - | - | 288,256 |
| Ancillary services | 87,991 | - | - | - | - | 87,991 |
| Community services | 4,697 | - | - | - | - | 4,697 |
| Enterprise activities | - | - | - | - | (127) | (127) |
| Debt service | | | | | | |
| Principal | - | - | - | 1,843,141 | - | 1,843,141 |
| Interest and other | - | - | - | 1,216,859 | - | 1,216,859 |
| Total Expenditures | 12,664,186 | 272,759 | 27,181 | 3,060,000 | 910,141 | 16,934,267 |
| Excess (Deficiency) of Revenues Over Expenditures | 972,627 | (102,220) | 1,077,483 | 1,426,396 | (191,404) | 3,182,882 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | 213,596 | - | 200,823 | 414,419 |
| Other sources | - | 10,000,000 | - | 26,616,909 | - | 36,616,909 |
| Transfers out | (216,353) | - | (198,066) | - | - | (414,419) |
| Other Uses | - | - | - | (27,337,000) | - | (27,337,000) |
| Net Financing Sources (Uses) | (216,353) | 10,000,000 | 15,530 | (720,091) | 200,823 | 9,279,909 |
| NET CHANGE IN FUND BALANCE | 756,274 | 9,897,780 | 1,093,013 | 706,305 | 9,419 | 12,462,791 |
| Fund Balance - Beginning | 4,014,185 | 220,615 | 2,646,345 | 3,126,672 | 16,856 | 10,024,673 |
| Adjustment for restatement | (5,454) | - | - | - | - | (5,454) |
| Fund Balance - Beginning, as restated | 4,008,731 | 220,615 | 2,646,345 | 3,126,672 | 16,856 | 10,019,219 |
| Fund Balance - Ending | \$ 4,765,005 | \$ 10,118,395 | \$ 3,739,358 | \$ 3,832,977 | \$ 26,275 | \$ 22,482,010 |

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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 12,462,791

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: \$ | 288,256 | |
| Depreciation expense: | <u>(271,482)</u> | 16,774 |

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:

2,198,847

Debt proceeds:

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

(9,279,909)

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 the 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.

(249,701)

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:

(11,733)

Postemployment benefits other than pensions (OPEB):

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

(156,187)

Pensions:

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

(345,738)

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:

(918,645)

Change in Net Position of Governmental Activities \$ 3,716,499

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

**EMERY UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

| | <u>Student Body Fund</u> |
|---------------------------|------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 13,058 |
| LIABILITIES | |
| Due to student groups | \$ 13,058 |

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, 2020**

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.

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

The District has evaluated whether any other reporting entity should be included in these financial statements and concluded that there are no component units requiring inclusion for the year ended June 30, 2020.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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. Capital Facilities Fund:

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

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

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, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting – Measurement Focus

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

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

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

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

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting – Measurement Focus, continued

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

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

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

Budgets and Budgetary Accounting

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

Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical program revenues. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2020.

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, 2020**

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 \$29,006 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.

Pensions

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

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 store's inventory.

B. Restricted Fund Balance:

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

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, 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, 2020, 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, 2020**

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, 2020, 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, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for periods beginning after June 15, 2021.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020 consisted of the following:

| | Governmental Activities | Fiduciary Funds |
|---------------------------|------------------------------------|----------------------------|
| Cash in county | \$ 23,261,308 | \$ - |
| Cash on hand and in banks | 122,257 | 13,058 |
| Total | \$ 23,383,565 | \$ 13,058 |

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, 2020, the Alameda County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS, continued

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, 2020, the carrying amount of the District's accounts was \$122,257, all of which was insured.

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 |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS, continued

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 \$23,671,299 and an amortized book value of \$23,261,308. The average weighted maturity for this pool is 674 days.

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, 2020, 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, 2020 were as follows:

| Fund | Interfund Receivables | Interfund Payables |
|-------------------------|--------------------------|-----------------------|
| General Fund | \$ 289,330 | \$ 48,159 |
| Child Development Fund | - | 745 |
| Cafeteria Fund | 27,177 | 67,263 |
| Building Fund | 5,453 | 2,501 |
| Capital Facilities Fund | 15,529 | 218,821 |
| Totals | \$ 337,489 | \$ 337,489 |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 2019-20 fiscal year were as follows:

| | | |
|--------------------------------------|-----------|----------------|
| Transfer from the General Fund: | | |
| Cafeteria Fund to support operations | \$ | 200,823 |
| Capital Facilities Fund | | 15,529 |
| Total transfer from the General Fund | <u>\$</u> | <u>216,352</u> |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

| | Balance | | | | Balance |
|--|----------------------|------------------|-------------------|-------------|----------------------|
| | July 01, 2019 | Additions | Deductions | | June 30, 2020 |
| Governmental Activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 930,622 | \$ - | \$ - | \$ - | \$ 930,622 |
| Construction in progress | - | 288,256 | - | - | 288,256 |
| Total Capital Assets not Being Depreciated | <u>930,622</u> | <u>288,256</u> | <u>-</u> | <u>-</u> | <u>1,218,878</u> |
| Capital assets being depreciated | | | | | |
| Improvement of sites | 1,571,185 | - | - | - | 1,571,185 |
| Buildings | 101,753,098 | - | - | - | 101,753,098 |
| Machinery and equipment | 1,085,683 | - | - | - | 1,085,683 |
| Total Capital Assets Being Depreciated | <u>104,409,966</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>104,409,966</u> |
| Less Accumulated Depreciation | | | | | |
| Improvement of sites | 4,610,236 | 58,228 | - | - | 4,668,464 |
| Buildings | 8,206,483 | 192,252 | - | - | 8,398,735 |
| Machinery and equipment | 393,852 | 21,002 | - | - | 414,854 |
| Total Accumulated Depreciation | <u>13,210,571</u> | <u>271,482</u> | <u>-</u> | <u>-</u> | <u>13,482,053</u> |
| Governmental Activities | | | | | |
| Capital Assets, net | <u>\$ 92,130,017</u> | <u>\$ 16,774</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 92,146,791</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2020 consisted of the following:

| | Adjusted Balance July 01, 2019 | Additions | Deductions | Balance June 30, 2020 | Balance Due In One Year |
|--------------------------------|-----------------------------------|----------------------|----------------------|--------------------------|----------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 75,581,409 | \$37,140,658 | \$24,585,446 | \$ 88,136,621 | \$ 1,951,842 |
| GO bond premiums | 3,418,000 | 325,904 | - | 3,743,904 | - |
| Public facilities loan | 1,877,952 | - | 355,706 | 1,522,246 | 425,312 |
| OPEB | 994,589 | - | 78,165 | 916,424 | - |
| Compensated absences | 17,273 | 11,733 | - | 29,006 | - |
| Total | \$ 81,889,223 | \$ 37,478,295 | \$ 25,019,317 | \$ 94,348,201 | \$ 2,377,154 |

Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$29,006. 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, 2020 is shown below:

| Series | Issuance Date | Interest Yield | Maturity Date | Amount of Original Issue | Bonds | | | Bonds | | Due Within One Year |
|--------------------|------------------|-------------------|------------------|-----------------------------|-----------------------------|----------------------|----------------------|------------------------------|---------------------|------------------------|
| | | | | | Outstanding July 1, 2019 | Additions | Redeemed | Outstanding June 30, 2020 | | |
| 2010 Series A | 4/21/2011 | 5.23-6.00% | 8/1/2035 | \$ 25,499,600 | \$ 804,104 | \$ 80,540 | \$ 118,141 | \$ 766,503 | \$ 106,842 | |
| 2011 Series B QSCB | 10/12/2011 | 4.83% | 8/1/2029 | 15,000,000 | 10,715,000 | - | 740,000 | 9,975,000 | 825,000 | |
| 2012 Series C QSCB | 2/23/2012 | 5.52% | 2/1/2032 | 7,640,000 | 6,840,000 | - | 260,000 | 6,580,000 | 290,000 | |
| 2013 Series D | 1/31/2013 | 1.00-5.45% | 8/1/2045 | 17,450,147 | 24,062,305 | - | 22,742,305 | 1,320,000 | - | |
| 2015 Series E | 12/2/2015 | 0.79-3.26% | 8/1/2042 | 4,500,000 | 4,210,000 | - | - | 4,210,000 | 15,000 | |
| 2015 Refunding | 12/2/2015 | 2.00-5.00% | 8/1/2022 | 2,860,000 | 1,445,000 | - | 475,000 | 970,000 | 495,000 | |
| 2017 Series F | 6/22/2017 | 0.88-1.78% | 8/1/2025 | 1,300,000 | 1,135,000 | - | 165,000 | 970,000 | 140,000 | |
| 2017 Refunding | 6/22/2017 | 0.77-3.39% | 8/1/2035 | 27,085,000 | 26,370,000 | - | 85,000 | 26,285,000 | 80,000 | |
| 2019 Series G | 9/12/2019 | 0.93-2.78% | 8/1/2045 | 10,000,000 | - | 10,000,000 | - | 10,000,000 | - | |
| 2019 Refunding | 9/12/2019 | 3.25-3.65% | 8/1/2045 | 26,222,013 | - | 27,060,118 | - | 27,060,118 | - | |
| | | | Total | \$ 137,556,760 | \$ 75,581,409 | \$ 37,140,658 | \$ 24,585,446 | \$ 88,136,621 | \$ 1,951,842 | |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 |
|-------------|-------------------|-------------|----------------------|-------------------|
| 2021 | \$ 106,842 | \$ - | \$ 208,158 | \$ 315,000 |
| 2022 | 99,617 | - | 230,383 | 330,000 |
| Accretion | 560,044 | - | (560,044) | - |
| | <u>\$ 766,503</u> | <u>\$ -</u> | <u>\$ (121,503)</u> | <u>\$ 645,000</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 |
|-------------|---------------------|---------------------|-----------------------|----------------------|
| 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 | 1,340,000 | 305,739 | (287,382) | 1,358,357 |
| 2025 | 1,440,000 | 238,602 | (224,276) | 1,454,326 |
| 2026-2030 | 4,220,000 | 431,317 | (405,420) | 4,245,897 |
| | <u>\$ 9,975,000</u> | <u>\$ 2,225,784</u> | <u>\$ (2,092,144)</u> | <u>\$ 10,108,640</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 |
|-------------|---------------------|---------------------|-----------------------|---------------------|
| 2021 | \$ 290,000 | \$ 355,212 | \$ (317,246) | \$ 327,966 |
| 2022 | 320,000 | 338,376 | (302,209) | 356,167 |
| 2023 | 440,000 | 317,400 | (283,475) | 473,925 |
| 2024 | 485,000 | 291,870 | (260,674) | 516,196 |
| 2025 | 525,000 | 263,994 | (235,777) | 553,217 |
| 2026-2030 | 1,745,000 | 980,490 | (875,693) | 1,849,797 |
| 2031-2032 | 2,775,000 | 186,852 | (166,879) | 2,794,973 |
| | <u>\$ 6,580,000</u> | <u>\$ 2,734,194</u> | <u>\$ (2,441,953)</u> | <u>\$ 6,872,241</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 | Total |
|-------------|---------------------|---------------------|---------------------|
| 2021 | \$ - | \$ 66,000 | \$ 66,000 |
| 2022 | - | 66,000 | 66,000 |
| 2023 | - | 66,000 | 66,000 |
| 2024 | - | 66,000 | 66,000 |
| 2025 | - | 66,000 | 66,000 |
| 2026-2030 | - | 330,000 | 330,000 |
| 2031-2035 | - | 330,000 | 330,000 |
| 2036-2040 | - | 330,000 | 330,000 |
| 2041-2045 | - | 330,000 | 330,000 |
| 2046 | 1,320,000 | 66,000 | 1,386,000 |
| | <u>\$ 1,320,000</u> | <u>\$ 1,716,000</u> | <u>\$ 3,036,000</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 |
|-------------|---------------------|---------------------|---------------------|
| 2021 | \$ 15,000 | \$ 183,106 | 198,106 |
| 2022 | 30,000 | 182,656 | 212,656 |
| 2023 | 40,000 | 181,756 | 221,756 |
| 2024 | 45,000 | 180,557 | 225,557 |
| 2025 | 60,000 | 178,756 | 238,756 |
| 2026-2030 | 540,000 | 836,533 | 1,376,533 |
| 2031-2035 | 915,000 | 708,693 | 1,623,693 |
| 2036-2040 | 1,370,000 | 513,563 | 1,883,563 |
| 2041-2043 | 1,195,000 | 123,000 | 1,318,000 |
| | <u>\$ 4,210,000</u> | <u>\$ 3,088,620</u> | <u>\$ 7,298,620</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 |
|-------------|-------------------|------------------|---------------------|
| 2021 | \$ 495,000 | \$ 48,500 | \$ 543,500 |
| 2022 | 330,000 | 23,750 | 353,750 |
| 2023 | 145,000 | 7,250 | 152,250 |
| | <u>\$ 970,000</u> | <u>\$ 79,500</u> | <u>\$ 1,049,500</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 |
|-------------|-------------------|-------------------|---------------------|
| 2021 | \$ 140,000 | \$ 31,250 | \$ 171,250 |
| 2022 | 150,000 | 27,050 | 177,050 |
| 2023 | 155,000 | 21,800 | 176,800 |
| 2024 | 165,000 | 15,600 | 180,600 |
| 2025 | 175,000 | 9,000 | 184,000 |
| 2026 | 185,000 | 4,625 | 189,625 |
| | <u>\$ 970,000</u> | <u>\$ 109,325</u> | <u>\$ 1,079,325</u> |

2017 General Obligation Refunding Bonds

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2021 | \$ 80,000 | \$ 1,098,682 | \$ 1,178,682 |
| 2022 | 70,000 | 1,096,281 | 1,166,281 |
| 2023 | 70,000 | 1,093,831 | 1,163,831 |
| 2024 | 65,000 | 1,091,031 | 1,156,031 |
| 2025 | 65,000 | 1,088,431 | 1,153,431 |
| 2026-2030 | 7,695,000 | 4,902,031 | 12,597,031 |
| 2031-2035 | 14,375,000 | 2,287,958 | 16,662,958 |
| 2036 | 3,865,000 | 120,781 | 3,985,781 |
| | <u>\$ 26,285,000</u> | <u>\$ 12,779,026</u> | <u>\$ 39,064,026</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 5 – LONG-TERM DEBT, continued

In September 2019, the District issued 2019 Series G General Obligation Bonds and 2019 General Obligation Refunding Bonds, totaling \$10,000,000 and \$26,222,013, respectively. The 2019 Series G bonds were issued as Current Interest Bonds, bear interest at 0.93-2.78% per annum from the date of issuance and are payable on August 1 and February 1 of each year through August 2045. The 2019 Refunding Bonds were issued as Capital Appreciation Bonds and bear interest at 3.25-3.65% per annum from the date of issuance and are payable on August 1 and February 1 of each year through August 2045. The 2019 Refunding bonds refunded a portion of the outstanding 2013 Series D General Obligation Bonds.

2019 Series G General Obligation Bonds

| Fiscal Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2021 | \$ - | \$ 300,170 | \$ 300,170 |
| 2022 | 400,000 | 338,750 | 738,750 |
| 2023 | 100,000 | 326,750 | 426,750 |
| 2024 | - | 323,750 | 323,750 |
| 2025 | - | 323,750 | 323,750 |
| 2026-2030 | - | 1,618,750 | 1,618,750 |
| 2031-2035 | 1,300,000 | 1,537,950 | 2,837,950 |
| 2036-2040 | 2,575,000 | 1,165,150 | 3,740,150 |
| 2041-2045 | 4,625,000 | 617,700 | 5,242,700 |
| 2046 | 1,000,000 | 30,000 | 1,030,000 |
| | <u>\$ 10,000,000</u> | <u>\$ 6,582,720</u> | <u>\$ 16,582,720</u> |

2019 General Obligation Refunding Bonds

| Fiscal Year | Principal | Accreted Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2021 | \$ - | \$ - | \$ - |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026-2030 | - | - | - |
| 2031-2035 | 1,649,182 | 948,798 | 2,597,980 |
| 2036-2040 | 11,168,300 | 10,074,611 | 21,242,911 |
| 2041-2045 | 13,108,526 | 16,934,973 | 30,043,499 |
| 2046 | 296,005 | 458,995 | 755,000 |
| Accretion | 838,105 | (838,105) | - |
| | <u>\$ 27,060,118</u> | <u>\$ 27,579,272</u> | <u>\$ 54,639,390</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020 is \$1,522,246 with \$425,312 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)

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability (Asset) | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense (Benefit) |
|---------------|----------------------------|--------------------------------|-------------------------------|------------------------|
| District Plan | \$ 916,424 | \$ 147,518 | \$ 362,833 | \$ 156,187 |

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. Below is a summary of the OPEB Plan.

| | Certificated | Classified | Management |
|-------------------------|---|----------------------------|---|
| Benefit types provided | Medical, Dental and Vision | Medical, Dental and Vision | Medical, Dental and Vision |
| Duration of Benefits | To age 65 | To age 65 | To age 65 |
| Required Service | 21 years* | 20 years | 21 years* |
| Minimum Age | 55 | 55 | 55 |
| Dependent Coverage | No | No | No |
| District Contribution % | 100% | 100% | 100% |
| District Cap | 125% of Plan KN3 Active Single premium for medical coverage | None | 125% of Plan KN3 Active Single premium for medical coverage |

*15 years if hired before 6/1/13

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2020:

| | Number of Participants |
|---------------------------------------|---------------------------|
| Inactive Employees Receiving Benefits | 2 |
| Active Employees | 64 |
| | <u>66</u> |

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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2020 |
| Fiscal year | July 1st to June 30th |
| Actuarial cost methods | Entry age normal cost method |
| Inflation rate | 2.75% |
| Investment rate of return | 2.20% |
| Discount rate | 2.20% |
| Health care cost trend rate | 4.00% |
| Payroll increase | 2.75% |
| Mortality | For certificated employees the 2020 CalSTRS mortality tables were used. For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used. |

The actuarial assumptions used in the June 30, 2020 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2020.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Changes in the Net OPEB Liability

| | Increase/(Decrease) | | |
|---------------------------|-------------------------|---------------------------------|-------------------------------|
| | Total OPEB Liability | Total Fiduciary Net Position | Net OPEB Liability (Asset) |
| | (a) | (b) | (a) - (b) |
| Balance July 1, 2019 | \$ 994,589 | \$ - | \$ 994,589 |
| Changes for the year: | | | |
| Service cost | 190,500 | - | 190,500 |
| Interest | 37,115 | - | 37,115 |
| Employer contributions | - | 58,828 | (58,828) |
| Experience gains/losses | (384,177) | - | (384,177) |
| Changes of assumptions | 137,225 | - | 137,225 |
| Expected benefit payments | (58,828) | (58,828) | - |
| Net change | (78,165) | - | (78,165) |
| Balance June 30, 2020 | \$ 916,424 | \$ - | \$ 916,424 |

Fiduciary Net Position as a percentage of the Total OPEB Liability was 0% as of June 30, 2020.

Sensitivity of the net pension liability to assumptions

The following presents the net OPEB liability calculated using the discount rate of 2.20 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 (1.20 percent) and 1 percent higher (3.20 percent):

| | Discount Rate 1% Lower (1.20%) | Current Discount Rate (2.20%) | Discount Rate 1% Higher (3.20%) |
|--------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| Net OPEB liability | \$ 986,404 | \$ 916,424 | \$ 850,246 |

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 | \$ 795,985 | \$ 916,424 | \$ 1,063,119 |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$156,187. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 362,833 |
| Change in assumptions | 147,518 | - |
| | <u>\$ 147,518</u> | <u>\$ 362,833</u> |

The deferred outflow of resources 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 inflows of resources resulting from a change in assumption will be amortized to OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------|--|
| 2021 | \$ (12,600) |
| 2022 | (12,600) |
| 2023 | (12,600) |
| 2024 | (12,600) |
| 2025 | (12,600) |
| Thereafter | (152,315) |
| | <u>\$ (215,315)</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 | \$ 7,963,792 | \$ 1,925,725 | \$ 936,207 | \$ 891,392 |
| CalPERS | 2,596,360 | 574,346 | 199,064 | 490,437 |
| Total | \$ 10,560,152 | \$ 2,500,071 | \$ 1,135,271 | \$ 1,381,829 |

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, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2018. 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, 2020**

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, 2020, 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% | 6.500% |
| Required employer contribution rate | 19.721% | 19.721% |

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, 2020, are presented above and the total District contributions were \$226,127.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,596,360. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.0089 percent and 0.0092 percent, resulting in a net decrease in the proportionate share of 0.0003 percent.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, the District recognized a pension expense of \$1,011,687. At June 30, 2020, 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 | \$ - | \$ 24,080 |
| Differences between expected and actual experience | 188,600 | - |
| Changes in assumptions | 123,595 | - |
| Net changes in proportionate share of net pension liability | 1,869,808 | 80,781 |
| District contributions subsequent to the measurement date | 226,127 | - |
| Total | \$ 2,408,130 | \$ 104,861 |

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 |
|---------------------|--|
| 2021 | \$ 664,376 |
| 2022 | 477,730 |
| 2023 | 466,726 |
| 2024 | 468,310 |
| | \$ 2,077,142 |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7 – NET PENSION LIABILITY, continued

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

Actuarial assumptions - For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 and the June 30, 2019 total pension liabilities were based on the actuarial methods and assumptions:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| 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 | 2.50% |
| 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.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 7 – NET PENSION LIABILITY, continued

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

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:

| Asset Class* | Assumed Asset Allocation | Real Return Years 1 - 10** | Real Return Years 11+*** |
|---------------------|---------------------------------|-----------------------------------|---------------------------------|
| Global Equity | 50% | 4.80% | 5.98% |
| Fixed Income | 28% | 1.00% | 2.62% |
| Inflation Assets | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Assets | 13% | 3.75% | 4.93% |
| Liquidity | 1% | 0.00% | -0.92% |
| | 100% | | |

*In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the 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 | \$ 3,742,482 | \$ 2,596,360 | \$ 1,645,572 |

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, 2020**

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, 2018, 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, 2020 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 | 17.10% | 17.10% |
| Required state contribution rate | 10.328% | 10.328% |

*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, 2020**

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, 2020, are presented above and the District's total contributions were \$809,962.

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 \$606,040 to CalSTRS.

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

At June 30, 2020, 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 | \$ 7,963,792 |
| State's proportionate share of the net pension liability associated with the District | <u>4,344,815</u> |
| Total | <u>\$ 12,308,607</u> |

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively, was 0.0088 percent and 0.0086 percent, resulting in a net increase in the proportionate share of 0.0002 percent.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020, the District recognized pension expense of \$2,477,794. At June 30, 2020, 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 | \$ - | \$ 306,697 |
| Differences between expected and actual experience | 20,104 | 224,260 |
| Changes in assumptions | 1,007,132 | - |
| Net changes in proportionate share of net pension liability | 6,343,099 | 314,214 |
| District contributions subsequent to the measurement date | 809,962 | - |
| Total | <u>\$ 8,180,297</u> | <u>\$ 845,171</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 |
|---------------------|--|
| 2021 | \$ 1,658,155 |
| 2022 | 1,445,489 |
| 2023 | 1,654,964 |
| 2024 | 1,814,272 |
| 2025 | (24,450) |
| Thereafter | (23,266) |
| | <u>\$ 6,525,164</u> |

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| 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:

| Asset Class | Assumed Asset Allocation | Long-term Expected Real Rate of Return* |
|----------------------------|---------------------------------|--|
| 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% |
| Risk Mitigating 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, 2020**

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 | \$ 11,858,745 | \$ 7,963,792 | \$ 4,734,134 |

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, 2020**

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, 2020.

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, 2020.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The Districts beginning net position decreased by \$(5,454). This was due to District identified adjustments.

NOTE 11 – SUBSEQUENT EVENTS

The District evaluated subsequent events from June 30, 2020 through March 5, 2021, 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

**REQUIRED SUPPLEMENTARY
INFORMATION**

**EMERY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual* (Budgetary Basis) | Variances - Final to Actual |
|--|-------------------------|---------------------|--------------------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| LCFF sources | \$ 7,823,454 | \$ 8,027,148 | \$ 7,879,281 | \$ (147,867) |
| Federal sources | 275,585 | 306,296 | 360,320 | 54,024 |
| Other state sources | 739,333 | 829,896 | 1,072,836 | 242,940 |
| Other local sources | 4,115,914 | 4,140,580 | 4,323,412 | 182,832 |
| Total Revenues | 12,954,286 | 13,303,920 | 13,635,849 | 331,929 |
| EXPENDITURES | | | | |
| Certificated salaries | 4,998,834 | 4,946,766 | 4,904,322 | 42,444 |
| Classified salaries | 1,258,765 | 1,179,996 | 1,130,211 | 49,785 |
| Employee benefits | 3,474,957 | 3,406,388 | 3,594,937 | (188,549) |
| Books and supplies | 501,655 | 351,388 | 269,030 | 82,358 |
| Services and other operating expenditures | 3,224,517 | 3,079,191 | 2,797,340 | 281,851 |
| Other outgo | | | | |
| Transfers of indirect costs | (27,845) | (30,363) | (31,654) | 1,291 |
| Total Expenditures | 13,430,883 | 12,933,366 | 12,664,186 | 269,180 |
| Excess (Deficiency) of Revenues Over Expenditures | (476,597) | 370,554 | 971,663 | 601,109 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (226,142) | (293,443) | (31,654) | 261,789 |
| Net Financing Sources (Uses) | (226,142) | (293,443) | (31,654) | 261,789 |
| NET CHANGE IN FUND BALANCE | (702,739) | 77,111 | 940,009 | 862,898 |
| Fund Balance - Beginning | 3,972,119 | 3,972,119 | 3,972,119 | - |
| Fund Balance - Ending | \$ 3,269,380 | \$ 4,049,230 | \$ 4,912,128 | \$ 862,898 |

* 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, 2020

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Total OPEB liability | | | |
| Service cost | \$ 190,500 | \$ 176,779 | \$ 172,048 |
| Interest | 37,115 | 30,848 | 27,675 |
| Experience gains/losses | (384,177) | - | - |
| Changes of assumptions | 137,225 | 20,157 | - |
| Benefit payments | (58,828) | (52,371) | (50,357) |
| Net change in total OPEB liability | (78,165) | 175,413 | 149,366 |
| Total OPEB liability, beginning of year | 994,589 | 819,176 | 669,810 |
| Total OPEB liability, end of year (a) | \$ 916,424 | \$ 994,589 | \$ 819,176 |
| Plan fiduciary net position | | | |
| Employer contributions | \$ 58,828 | \$ 52,371 | \$ 50,357 |
| Expected benefit payments | (58,828) | (52,371) | (50,357) |
| Change in plan fiduciary net position | - | - | - |
| Fiduciary trust net position, beginning of year | - | - | - |
| Fiduciary trust net position, end of year (b) | \$ - | \$ - | \$ - |
| Net OPEB liability (asset), ending (a) - (b) | \$ 916,424 | \$ 994,589 | \$ 819,176 |
| Covered payroll | \$ 5,721,149 | \$ 5,681,540 | \$ 5,695,727 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 0% | 0% | 0% |
| Net OPEB liability (asset) as a percentage of covered payroll | 16% | 18% | 14% |

Note: In the future, as data becomes available, ten years of information will be presented.

**EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 43,516 | \$ 52,371 | \$ 50,357 |
| Contributions in relations to the actuarially determined contribution | 56,009 | 56,815 | 50,357 |
| Contribution deficiency (excess) | \$ (12,493) | \$ (4,444) | \$ - |
| | | | |
| Covered-employee payroll | \$ 5,721,149 | \$ 5,681,540 | \$ 5,695,727 |
| | | | |
| Contribution as a percentage of covered-employee payroll | 0.98% | 1.00% | 0.88% |

Note: In the future, as data becomes available, ten years of information will be presented.

EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

| CalSTRS | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
| District's proportion of the net pension liability | 0.0088% | 0.0086% | 0.008% | 0.009% | 0.009% | 0.010% |
| District's proportionate share of the net pension liability | \$ 7,963,792 | \$ 7,932,010 | \$ 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 | 4,344,815 | 4,541,447 | 4,523,065 | 4,032,666 | 3,309,677 | 3,355,432 |
| Total | \$ 12,308,607 | \$ 12,473,457 | \$ 12,168,592 | \$ 11,115,398 | \$ 9,567,477 | \$ 8,907,192 |
| District's covered - employee payroll | \$ 4,736,620 | \$ 4,750,123 | \$ 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 | 168.13% | 166.99% | 163.04% | 163.52% | 86.43% | 129.95% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.60% | 71.00% | 69.00% | 70.00% | 74.00% | 77.00% |
| CalPERS | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.0089% | 0.0092% | 0.0089% | 0.0080% | 0.0110% | 0.0150% |
| District's proportionate share of the net pension liability | \$ 2,596,360 | \$ 2,449,237 | \$ 2,116,180 | \$ 1,618,982 | \$ 1,622,872 | \$ 1,666,246 |
| District's covered - employee payroll | \$ 1,146,630 | \$ 1,234,736 | \$ 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 | 226.43% | 198.36% | 157.69% | 138.98% | 171.39% | 129.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.05% | 70.85% | 71.90% | 73.90% | 79.40% | 83.50% |

Note: In the future, as data becomes available, ten years of information will be presented.

EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSIONS
JUNE 30, 2020

| CalSTRS | Reporting Fiscal Year | | | | | |
|---|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 809,962 | \$ 773,320 | \$ 676,678 | \$ 544,896 | \$ 776,930 | \$ 379,368 |
| District's contributions in relation to the statutorily required contribution | 809,962 | 773,320 | 676,678 | 544,896 | 776,930 | 379,368 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 4,736,620 | \$ 4,750,123 | \$ 4,689,383 | \$ 4,331,447 | \$ 7,240,727 | \$ 4,272,162 |
| District's contributions as a percentage of covered-employee payroll | 17.10% | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |
| | | | | | | |
| CalPERS | Reporting Fiscal Year | | | | | |
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Statutorily required contribution | \$ 226,127 | \$ 223,018 | \$ 186,398 | \$ 159,240 | \$ 115,238 | \$ 151,397 |
| District's contributions in relation to the statutorily required contribution | 226,127 | 223,018 | 186,398 | 159,240 | 115,238 | 151,397 |
| District's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 1,146,630 | \$ 1,234,736 | \$ 1,341,958 | \$ 1,164,887 | 946,902 | 1,281,939 |
| District's contributions as a percentage of covered-employee payroll | 19.72% | 18.06% | 13.89% | 13.67% | 12.17% | 11.81% |

Note: In the future, as data becomes available, ten years of information will be presented.

**EMERY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

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 Changes in the Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Proportionate Share of the Net Pension Liability

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

Schedule of Contributions – Pensions

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

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

Changes in Assumptions – There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS.

**EMERY UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in General Fund presented in the Budgetary Comparison Schedule by major object code as follows:

| | Expenditures and Other Uses | | |
|-------------------|------------------------------------|---------------|---------------|
| | Budget | Actual | Excess |
| General Fund | | | |
| Employee benefits | \$ 3,406,388 | \$ 3,594,937 | \$ (188,549) |

**SUPPLEMENTARY
INFORMATION**

**EMERY UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

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, 2020.

GOVERNING BOARD

| Name | Office | Term Expires |
|-----------------|-----------------------|--------------|
| Brynnda Collins | President | 2022 |
| Susan Donaldson | Vice President | 2022 |
| Lauren Salazar | Clerk | 2020 |
| John Van Geffen | Board Member | 2020 |
| Cruz Vargas | Board Member | 2020 |
| Vacant | County Representative | N/A |

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, 2020**

| | Second Period Report | Annual Report |
|--|-------------------------------------|-------------------------------------|
| | Certificate No. 59DF134A | Certificate No. 4BD63252 |
| Regular ADA | | |
| Transitional kindergarten through third | 202.98 | 202.98 |
| Fourth through sixth | 161.61 | 161.61 |
| Seventh and eighth | 107.88 | 107.88 |
| Ninth through twelfth | 216.13 | 216.13 |
| Total Regular ADA | 688.60 | 688.60 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Transitional kindergarten through third | - | - |
| Total Special Education, Nonpublic, Nonsectarian Schools | - | - |
| ADA Totals | 688.60 | 688.60 |

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

| Grade Level | Minutes Requirement | 2019-20 Actual Minutes | Number of Days | | Status |
|--------------------|----------------------------|-------------------------------|-----------------------------|----------------------------|---------------|
| | | | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 36,000 | 63,000 | 180 | N/A | Complied |
| Grade 1 | 50,400 | 59,400 | 180 | N/A | Complied |
| Grade 2 | 50,400 | 59,400 | 180 | N/A | Complied |
| Grade 3 | 50,400 | 59,400 | 180 | N/A | Complied |
| Grade 4 | 54,000 | 59,400 | 180 | N/A | Complied |
| Grade 5 | 54,000 | 59,400 | 180 | N/A | Complied |
| Grade 6 | 54,000 | 60,660 | 180 | N/A | Complied |
| Grade 7 | 54,000 | 60,660 | 180 | N/A | Complied |
| Grade 8 | 54,000 | 60,660 | 180 | N/A | Complied |
| Grade 9 | 64,800 | 66,240 | 180 | N/A | Complied |
| Grade 10 | 64,800 | 66,240 | 180 | N/A | Complied |
| Grade 11 | 64,800 | 66,240 | 180 | N/A | Complied |
| Grade 12 | 64,800 | 66,240 | 180 | N/A | Complied |

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

**EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

| | 2021 (Budget) | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|
| General Fund - Budgetary Basis** | | | | |
| Revenues and Other Financing Sources | \$ 14,862,419 | \$ 13,635,848 | \$ 12,186,384 | \$ 11,932,449 |
| Expenditures and Other Financing Uses | 14,636,678 | 12,880,538 | 12,418,113 | 12,004,927 |
| Net Change in Fund Balance | <u>225,741</u> | <u>755,310</u> | <u>(231,729)</u> | <u>(72,478)</u> |
| Ending Fund Balance | <u>\$ 4,953,170</u> | <u>\$ 4,727,429</u> | <u>\$ 3,675,331</u> | <u>\$ 3,907,060</u> |
| Available Reserves* | <u>\$ 4,663,824</u> | <u>\$ 4,670,614</u> | <u>\$ 3,168,151</u> | <u>\$ 3,915,068</u> |
| Available Reserves as a Percentage of Outgo | <u>31.86%</u> | <u>36.26%</u> | <u>25.51%</u> | <u>32.61%</u> |
| Long-term Debt | <u>\$ 91,971,047</u> | <u>\$ 94,348,201</u> | <u>\$ 80,712,120</u> | <u>\$ 82,949,792</u> |
| Average Daily Attendance at P-2 | <u>687</u> | <u>689</u> | <u>686</u> | <u>650</u> |

* 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 \$820,369 over the past two years. The fiscal year 2020-21 budget projects an decrease of \$225,741. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred an operating surplus in the 2019-20 fiscal year and anticipates incurring an operating surplus during the 2020-21 fiscal year. Total long-term debt has decreased \$11,398,409 over the past two years.

Average daily attendance has increased by 39 over the past two years. ADA is anticipated to decrease during fiscal year 2020-21.

**EMERY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

There was no adjustment to the unaudited actual financial report which required reconciliation to the audited financial statements at June 30, 2020.

See accompanying note to supplementary information.

**EMERY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2020**

| Charter School | Included in Audit Report |
|---|-------------------------------------|
| 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, 2020**

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Total Non-Major Governmental Funds |
|--|---------------------------------------|-----------------------|--|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 59,094 | \$ 35,540 | \$ 16,195 | \$ 110,829 |
| Accounts receivable | 100 | 74,964 | 80 | 75,144 |
| Due from other funds | - | 27,177 | - | 27,177 |
| Stores inventory | - | 624 | - | 624 |
| Total Assets | 59,194 | 138,305 | 16,275.00 | 213,774 |
| LIABILITIES | | | | |
| Accrued liabilities | 58,449 | 61,042 | - | 119,491 |
| Due to other funds | 745 | 67,263 | - | 68,008 |
| Total Liabilities | 59,194 | 128,305 | - | 187,499 |
| FUND BALANCES | | | | |
| Nonspendable | - | 624 | - | 624 |
| Restricted | | | | |
| Educational programs | - | 9,376 | - | 9,376 |
| Total Fund Balances | - | 10,000 | 16,275 | 26,275 |
| Total Liabilities and Fund Balances | \$ 59,194 | \$ 138,305 | \$ 16,275 | \$ 213,774 |

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, 2020**

| | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Total Non-Major Governmental Funds |
|--|------------------------------|------------------|---------------------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 416,476 | \$ - | \$ 416,476 |
| Other state sources | 274,798 | 26,542 | - | 301,340 |
| Other local sources | 745 | (243) | 419 | 921 |
| Total Revenues | <u>275,543</u> | <u>442,775</u> | <u>419</u> | <u>718,737</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Pupil services | | | | |
| Food services | - | 603,816 | - | 603,816 |
| All other pupil services | 274,798 | - | - | 274,798 |
| General administration | | | | |
| All other general administration | 745 | 30,909 | - | 31,654 |
| Enterprise activities | - | (127) | - | (127) |
| Total Expenditures | <u>275,543</u> | <u>634,598</u> | <u>-</u> | <u>910,141</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>-</u> | <u>(191,823)</u> | <u>419</u> | <u>(191,404)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 200,823 | - | 200,823 |
| Net Financing Sources (Uses) | <u>-</u> | <u>200,823</u> | <u>-</u> | <u>200,823</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>9,000</u> | <u>419</u> | <u>9,419</u> |
| Fund Balance - Beginning | <u>-</u> | <u>1,000</u> | <u>15,856</u> | <u>16,856</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ 10,000</u> | <u>\$ 16,275</u> | <u>\$ 26,275</u> |

See accompanying note to supplementary information.

EMERY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (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

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2020-21 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, 2020**

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, 2020, the District did not adopt such a program.

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

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, 2020, 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 March 5, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
March 5, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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 2019-20 *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, 2020, 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 2019-20 *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, 2020.

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:

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

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

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

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

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

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

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

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

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

The District did not register for District of Choice status; therefore, we did not perform any procedures specific to District of Choice.

CWDL, Certified Public Accountants

San Diego, California
March 5, 2021

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**EMERY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

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

STATE AWARDS

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

**EMERY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

| <u>FIVE DIGIT CODE</u> | <u>AB3627 FINDING TYPES</u> |
|------------------------|-----------------------------|
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 60000 | Miscellaneous |

There were no financial statement findings identified during 2019-20.

**EMERY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

There were no State Award findings or questioned costs identified during 2019-20.

**EMERY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-001: Duplicate Payment (30000)

Criteria: Controls over expenditures must be in place to ensure that all funds are safeguarded and erroneous disbursements such as duplicate payments do not occur.

Condition: We noted during our testing of expenditures that an intended payment made out to Apple, Inc. in the amount of \$9,903.17 for technology equipment related to invoice #6739970430 was duplicate paid on two separate checks, #5871 and #2736.

Cause: Clerical error resulting in duplicate payment on Measure J related invoice.

Effect: Unallowable expenditure charged to the Measure J Bond Building Fund.

Recommendation: The District should enhance monitoring over even the most minor charges to the Measure J Bond Building Fund to ensure that 100% of expenditures are valid and correctly billed to the program.

Corrective Action Plan: Upon identification of the unallowable expenditure, the District took quick action to 1) work with the Auditor to determine the extent of the duplicate payment issue and 2) set up a vendor request to ensure that the Measure J Bond Building Fund was reimbursed by Apple, Inc. for 100% of all unallowable payments.

Status: Implemented.

**EMERY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-002: State Compliance – Kindergarten Continuation (40000)

Criteria: Pursuant to Education Code Section 46300(g), in order for a District to claim ADA related to a student who has been retained in Kindergarten for one additional school year, the District must have on file for each such pupil an agreement made pursuant to EC Section 48011, approved in form and content by the department and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than one additional school year.

Condition: In review of kindergarten continuance forms, we noted that one student at Anna Yates Elementary school re-enrolled in Kindergarten for the 18-19 school year, however, a continuation form for the student was not completed.

Cause: Adequate control procedures have not been designated and implemented.

Effect: Noncompliance with the criteria noted above.

Fiscal Impact: Ninety eight (98) student days of attendance claimed for a retained Kindergarten student who was not properly documented with a signed agreement form results in a 0.78 ADA reduction to the Anna Yates Elementary School ADA generated during 2018-19. At a base funding rate of \$8,235 per ADA, the estimated fiscal impact is \$6,405 in Local Control Funding Formula base revenue.

Recommendation: The District should enforce controls to ensure kindergarten continuation agreements are completed, signed and on file for each pupil attending kindergarten for more than one school year. Additionally, the District should revise the Second and Annual Reports of Attendance to properly reflect the disallowed ADA.

Corrective Action Plan: The District concurs with the audit recommendation. Training was conducted at the site and the necessary corrections will be made to the Second and Annual Report of Attendance.

Status: Implemented.

**EMERY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2019-003: State Compliance – Attendance Accounting (10000, 40000)

Criteria: Certificated rosters, absence notes, and other source documents of attendance should be correctly posted to the District’s attendance system per Education Code Section 46000 et seq. Auditors are required to verify compliance in Section 19817.1 of the Standards and Procedures for Audits of California K-12 Local Educational Agencies.

Condition: From our testing at Emery Secondary School, we discovered the following exception:

- Two (2) of five (5) attendance periods tested had a discrepancy between the manual signed roster and the attendance register

Cause: System generated reports will exclude entire days of attendance. The missing data was not caught during the certified personnel’s weekly attendance roster review and approval.

Effect: Noncompliance with the criteria noted above.

Fiscal Impact: Forty two (42) student days of attendance claimed for students who were not properly documented by signed rosters results in a 0.23 ADA reduction to the Emery Secondary School ADA generated during 2018-19. At a base funding rate of \$9,269 per ADA, the estimated fiscal impact is \$2,163 in Local Control Funding Formula base revenue.

Recommendation: We recommend that the office staff review all weekly rosters before issuing reports to certified personnel, to validate the that the report properly reflects that data in the system.

District Response: The District already has provided training to site attendance personnel, and will provide further training if necessary, to ensure that proper procedures are followed.

Corrective Action Plan: The District concurs with the audit recommendation. Training was conducted at the site and the necessary corrections will be made to the Second and Annual Report of Attendance.

Status: Implemented.