



**Meeting of the Citizens Oversight Committee
April 30, 2019– 5:30 p.m.
District Office Conference Room
4727 San Pablo Avenue, Emeryville**

District Goals

- All students in EUSD will be provided with equitable access to educational opportunities and programs for economic, political and social empowerment
- All students will learn and demonstrate 21st century skills including collaboration, critical thinking and creativity to be college and career ready
- Innovative technology will be integrated to facilitate global awareness, communication, collaborative learning and critical thinking
- To provide a comprehensive multi-use city-school campus that fosters a respectful environment, engages students in an innovative education, and offers comprehensive resources to bring member of the Emeryville community together to interact and learn

PUBLIC AGENDA

A. Meeting Opening / Roll Call (approximately 5:30 p.m.)

Rodney Wong, Chair
Joshua Simon, Vice-Chair
Mitchell Fine, Member
Judy Inouye, Member
Marcelline Krafchick, Member
Miguel Dwin, Member

Dr. Quiauna Scott, Superintendent of Schools

B. Public Comment (approximately 5:35)

C. Approval of December 17, 2018 Minutes

D. Approval of 2016-2017 Annual Report

E. Review 2017-2018 Bond Financial and Performance Audits

F. Development and Approval of 2017-18 Annual Report

G. Discuss Bylaws/Develop Annual Work Plan

H. Adjournment (approximately 7:15 p.m.)

Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation related to Board meetings, may request assistance by contacting the Office of the Superintendent at (510) 601-4906.



MINUTES

**Meeting of the Citizens Oversight Committee
December 17, 2018– 5:30 p.m.
District Office Conference Room
4727 San Pablo Avenue, Emeryville**

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PUBLIC AGENDA

- A. Meeting Opening / Roll Call
The meeting convened at 5:39 p.m.
Present: Dwin (arrived 5:51 p.m.) Krafchick, Simon, Wong; absent: Fine, Inouye
- B. Public Comment – none given
- C. Update from COC Members Regarding COC Activities and Insights – none given
- D. COC Website Update – Lisa Taymuree will work to update the website per consultant suggestions. The committee requested a live link on the District's website to the old website.
- E. Update on Audit Process
The committee reviewed a draft of the Measure J Audit Report for 2017-18 with another meeting in February to final report.
- F. Develop 2016-17 and 2017-18 Annual Reports
The committee reviewed the draft of the Annual Reports. Government Financial Services will finalize the plans for the committee's approval.

Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation related to Board meetings, may request assistance by contacting the Office of the Superintendent at (510) 601-4906.

G. Develop Annual Work Plan

The committee made the following suggestions to the two draft plans presented by Government Financial Services:

-add simplified tables

-note remark about the committee's findings; asked about concrete work and recommendation that the Board of Trustees fill the vacancies on the committee

-add the project list

-add that the report was prepared by Government Financial Services

H. Adjournment

The meeting adjourned at 7:03 p.m.

Measure J
Citizens' Oversight Committee
Annual Report to the Public¹
For Fiscal Year 2016-17

April 30, 2019

Measure J

As approved by voters on November 2, 2010:

"Shall Emery Unified School District: maintain academic excellence/student performance, attract and retain quality teachers by: replacing/upgrading outdated schools no longer meeting seismic safety standards; provide updated classrooms, technology, science/computer labs: improve school safety; create energy efficient cost-saving facilities that provide job training, after-school, pre-school, and other community services by issuing \$95 million dollars in bonds at legal rates with independent citizens' oversight, audits, and NO money for administrator salaries, benefits, or pensions?"

The complete bond project list is Exhibit A-1 to the Board of Trustees' Resolution and attached hereto.

The table below shows the series of bonds that have been issued and that as the end of Fiscal Year 2016-17, approximately \$71.4 million of the original \$95 million of bonds authorized has been issued, leaving \$23.6 million to be issued.

Measure J Authorization:		\$95,000,000	
<i><u>Series</u></i>	<i><u>Issuance Date</u></i>	<i><u>Issuance - New Money</u></i>	<i><u>Remaining Authorization</u></i>
2011A	Apr 2011	\$25,499,600	\$69,500,400
2011B QSCB	Oct 2011	\$15,000,000	\$54,500,400
2012C QSCB	Feb 2012	\$7,640,000	\$46,860,400
2013D	Jan 2013	\$17,450,147	\$29,410,254
2015E	Dec 2015	\$4,500,000	\$24,910,254
2017F	Jun 2017	\$1,300,000	\$23,610,254

Additionally, in June 2017, in conjunction with the Series 2017F bonds, the District issued \$27,085,000 in "refunding" bonds to refinance \$25,170,000 of Series 2011A bonds.

¹ The Committee was assisted by District staff and Government Financial Strategies, who is serving as a consultant to the Citizens Oversight Committee, not as the District's financial advisor and does not give any advice regarding the issuance of bonds.

Measures J Citizens' Oversight Committee Members

<u>Name</u>	<u>Role</u>
Mr. Rodney Wong	Senior Citizens' Organization
Mr. Joshua Simon	Taxpayers' Organization
Mr. Mitchell Fine	Business Organization
Ms. Judy Inouye	Community-at-Large
Dr. Marcelline Krafchick	Community-at-Large
Mr. Miguel Dwin	Community-at-Large
Vacant	Parent of a Student & Active in PTA
Vacant	Parent of a Student

Meetings²

<u>Date</u>	<u>Topic(s)</u>	<u>Materials Reviewed</u>	<u>Location</u>
FY 2016-17			
Aug 15, 2016	Project Updates Financial Summary 2014-15 Annual Report COC Vacancies	Project Updates Financial Summary Draft 2014-15 Annual Report	District Office Conf. Room
Nov 16, 2016	Financial Report Status of Solar Panels Q&A	Financial Report	District Office Conf. Room
Mar 29, 2017	Review 2014-15, 2016-17, and 2017-18 Annual Reports Turner Community Benefits Report Financial Report	Turner Community Benefits Report Financial Report	District Office Conf. Room

Citizens' Oversight Committee Web Site

The Citizens' Oversight Committee web page includes meeting notices, agenda, minutes, and materials reviewed. This web page can be found at:

<https://emeryusd.k12.ca.us/measure-j-citizens-oversight-committee/>

² The 2016-17 financial and performance audits were reviewed on December 17, 2018.

Review of Financial and Performance Audits

The 2016-17 Measure J Financial Audit had one finding regarding a purchase order dated after the invoice date. According to the Auditor this increases the potential for a budget overage or an unauthorized purchase. The Committee appreciated the District responding to the finding and implementing procedures to ensure that purchase orders are obtained prior to purchases in accord with recommended fiscal controls.

The Committee appreciated that there were no findings in the 2016-17 Measure J Performance Audit.

Additional Comments

While reviewing project updates, the Committee became aware of a warranty issue with some concrete work. The Committee discussed the issue and offered guidance to District staff.

Also, the Committee asks that the Board of Trustees work with District staff to find additional Committee members to fill vacancies.

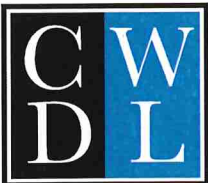
Conclusion

Based on material shared and reviewed during past meetings, including the Financial and Performance Audits, the Committee has concluded that expenditures have only been "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities" and that no funds were used for any "teacher and administrator salaries and other school operating expenses", and in accord with Measure J.

MEASURE J
2010 GENERAL OBLIGATION BOND
EMERY UNIFIED SCHOOL DISTRICT

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
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June 30, 2018**

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**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2018**

The Measure J Bonds were issued pursuant to the Constitution and laws of the State

According to the Election 2010 Measure J ballot language, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects. Also, in accordance with the Election 2010 Measure J ballot language, the District's Governing Board has appointed a Citizens' Oversight Committee to review the District's expenditure of the bond proceeds.

- Election 2010 Measure J Series A general obligation bonds were issued by the District, through the County of Alameda, on April 21, 2011. Series A general obligation bonds consisted of current interest notes and capital appreciation bonds with an initial par amount of \$25,499,600 with stated interest yields of 5.23% to 6.00% and maturing through August 1, 2035.
- On October 12, 2011, Series B of the Election 2010 Measure J bond authorization was issued, which consisted of federally taxable direct-pay qualified school construction bonds with an initial par amount of \$15,000,000 with a stated interest yield of 4.83% and maturing through August 1, 2029.
- On February 23, 2012 Series C of the Election 2010 Measure J bond authorization was issued, which consisted of federally taxable direct-pay qualified school construction bonds with an initial par amount of \$7,640,000 with a stated interest yield of 5.52% and maturing through August 1, 2032.
- On February 11, 2013, Series D of the Election 2010 Measure J bond authorization was issued, which consisted of current interest notes and capital appreciation bonds with an initial par amount of \$17,450,147 with stated interest yields of 1.00% to 5.45% and maturing through August 1, 2045.
- On December 2, 2015, Series E of the Election 2010 Measure J bond authorization was issued, which consisted of current interest notes and term bonds with an initial par amount of \$4,500,000 with stated interest yields of 0.79% to 3.26% and maturing through August 1, 2042.
- On June 22, 2017, Series F of the Election 2010 Measure J bond authorization was issued, which consisted of current interest notes with an initial par amount of \$1,300,000 with stated interest yields of 0.88% to 1.78% and maturing through August 1, 2025.
- On June 22, 2017, the District issued 2017 Refunding General Obligation Bonds, totaling \$27,085,000. The bonds were issued as current interest notes, bear interest yields of 0.77-3.39% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2035. The bonds refunded a portion of the outstanding Series A General Obligation Bonds.

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2018**

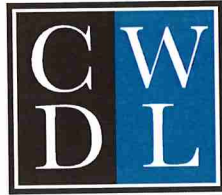
In November 2010, the voters of the District approved by more than the required 55% favorable vote, Election 2010 Measure J authorizing the issuance and sale of general obligation bonds, not to exceed \$95,000,000, with mandatory audits, independent citizen oversight, no money for administrator salaries, and all funds staying local. Election 2010 Measure J is a Proposition 39 bond. The passage of Proposition 39 in November 2000 amended the California Constitution to authorize ad valorem taxes used to pay for debt service in excess of the 1% full cash value limitation, contingent upon receiving 55% voter approval.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure J including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee was comprised of the following members as of June 30, 2018:

Name	Title	Representation
Rodney Wong	Chair	Active in a senior citizens' organization
Joshua Simon	Vice Chair	Active in a bona fide taxpayers' Organization
Mitchell Fine	Member	Active in a business organization
Vacant*	Member	Parent of a student and active in PTA
Vacant*	Member	Parent of a student
Judy Inouye	Member	Community-at-large
Miguel Dwin	Member	Community-at-large
Marcelline Krafchick	Member	Community-at-large

**The District is actively engaged in soliciting applications to fill the noted vacancies.*



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Governing Board Members and
Measure J Citizens' Oversight Committee
Emery Unified School District
Emeryville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure J bond building fund of Emery Unified School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Measure J bond building fund'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 an opinion 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.

Auditor's Responsibility (continued)

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

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure J bond building fund's general obligation bonds as issued by the District, through the County of Alameda, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure J bond building fund of Emery Unified School District as of June 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the Measure J bond building fund'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 the Measure J bond building fund's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 30, 2018 on our consideration of the Measure J bond building fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure J bond building fund for the fiscal year ended June 30, 2018 should be considered in assessing the results of our financial audit.

CWDL, Certified Public Accountants

San Diego, California
November 30, 2018

FINANCIAL SECTION

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Balance Sheet
June 30, 2018**

ASSETS	
Cash in county treasury	\$ 466,456
Accounts receivable	<u>1,850</u>
Total Assets	<u>468,306</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	31,628
Due to other funds	<u>10,026</u>
Total Liabilities	<u>41,654</u>
Fund Balance	
Restricted for capital projects	<u>426,652</u>
Total Liabilities and Fund Balance	<u>\$ 468,306</u>

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2018**

REVENUES	
Other local revenue	\$ <u>13,408</u>
Total Revenues	<u>13,408</u>
EXPENDITURES	
Facilities acquisition and construction	<u>870,776</u>
Total Expenditures	<u>870,776</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(857,368)</u>
Net Change in Fund Balance	(857,368)
Fund Balance, July 1, 2017	<u>1,284,020</u>
Fund Balance, June 30, 2018	<u>\$ 426,652</u>

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Emery Unified School District Building Fund Measure J conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Emery Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Emery Unified School District used to account for Measure J projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2010. These financial statements are not intended to present fairly the financial position and results of operations of the Emery Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balances – Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Use of 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 that 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/expenses during the reporting period. Actual results could differ from those estimates.

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 2 – CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
County Pooled Investment Funds	N/A	None	None

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund general obligation bond investment of \$466,456 with the Alameda County Investment Pool. The fair value of this investment is approximately \$465,539 with an average maturity of 357 days.

NOTE 3 – INTERFUND PAYABLES

Interfund payables at June 30, 2018, consisted of \$10,026. Amounts relate to minor adjustments between the Measure J Bond Building Fund and other funds of the District with construction activity to ensure proper coding and therefore proper expenditure of all bond funds.

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of \$31,628 of vendor payables.

NOTE 5 – MEASURE J BOND BUILDING FUND GENERAL OBLIGATION BONDS

The outstanding bonded debt of Emery Unified School District Measure J Bond Building Fund at June 30, 2018 is shown below:

Series	Issuance Date	Interest Rate	Maturity Date	Amount of Original Issue	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
2011 Series A	4/21/2011	5.23-6.00%	8/1/2035	\$ 25,499,600	\$ 637,084	\$ 78,655	\$ -	\$ 715,739
2011 Series B QSCB	10/12/2011	4.83%	8/1/2029	15,000,000	12,415,000	-	810,000	11,605,000
2012 Series C QSCB	2/23/2012	5.52%	2/1/2032	7,640,000	7,420,000	-	275,000	7,145,000
2013 Series D	1/31/2013	1.00-5.45%	8/1/2045	17,450,147	21,477,621	1,258,222	-	22,735,843
2015 Series E	12/2/2015	0.79-3.26%	8/1/2042	4,500,000	4,500,000	-	185,000	4,315,000
2017 Series F	6/22/2017	0.88-1.78%	8/1/2025	1,300,000	1,300,000	-	-	1,300,000
2017 Refunding	6/22/2017	0.77-3.39%	8/1/2035	27,085,000	27,085,000	-	630,000	26,455,000
			Total	\$ 98,474,747	\$ 74,834,705	\$ 1,336,877	\$ 1,900,000	\$ 74,271,582

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 5 – MEASURE J BOND BUILDING FUND GENERAL OBLIGATION BONDS, continued

2011 Series A General Obligation Bonds

On April 21, 2011, the District issued 2011 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 yields ranging from 5.23% to 6.00% per annum from the date of issuance and are payable on August 1 and February 1 of each year through August 2035. The bonds were partially refunded in the 2016-17 fiscal year by the 2017 General Obligation Refunding Bonds.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	\$ -	\$ -	\$ -	\$ -
2020	118,141	-	191,859	310,000
2021	106,842	-	208,158	315,000
2022	99,617	-	230,383	330,000
Accretion	391,139	-	(391,139)	-
Total	\$ 715,739	\$ -	\$ 239,261	\$ 955,000

2011 Series B General Obligation Bonds

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 a yield of 4.83% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2029.

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2019	\$ 890,000	\$ 539,028	\$ (506,664)	\$ 922,364
2020	740,000	499,663	(469,663)	770,000
2021	825,000	461,869	(434,137)	852,732
2022	905,000	420,090	(394,867)	930,223
2023	1,245,000	368,167	(346,062)	1,267,105
2024-2028	5,610,000	907,798	(853,291)	5,664,507
2029-2030	1,390,000	67,860	(63,787)	1,394,073
Total	\$ 11,605,000	\$ 3,264,475	\$ (3,068,471)	\$ 11,801,004

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 5 – MEASURE J BOND BUILDING FUND GENERAL OBLIGATION BONDS, continued

2012 Series C General Obligation Bonds

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 a yield of 5.52% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through February 2032.

Fiscal Year	Principal	Interest	Interest Subsidy	Total
2019	\$ 305,000	\$ 385,986	\$ (344,730)	\$ 346,256
2020	260,000	370,392	(330,803)	299,589
2021	290,000	355,212	(317,246)	327,966
2022	320,000	338,376	(302,209)	356,167
2023	440,000	317,400	(283,475)	473,925
2024-2028	1,850,000	1,000,224	(893,317)	1,956,907
2029-2032	3,680,000	722,982	(645,706)	3,757,276
Total	\$ 7,145,000	\$ 3,490,572	\$ (3,117,486)	\$ 7,518,086

2013 Series D General Obligation Bonds

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 a yield of 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 yields ranging from 1.0% to 5.45% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2045.

Fiscal Year	Principal	Interest	Accreted Interest	Total
2019	\$ -	\$ 66,000	\$ -	\$ 66,000
2020	-	66,000	-	66,000
2021	-	66,000	-	66,000
2022	-	66,000	-	66,000
2023	-	66,000	-	66,000
2024-2028	-	330,000	-	330,000
2029-2033	241,284	330,000	388,716	960,000
2034-2038	4,674,673	330,000	10,820,327	15,825,000
2039-2043	7,761,702	330,000	25,663,298	33,755,000
2044-2046	4,401,941	198,000	13,173,059	17,773,000
Accretion	5,656,243	-	(5,656,243)	-
Total	\$ 22,735,843	\$ 1,848,000	\$ 44,389,157	\$ 68,973,000

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

NOTE 5 – MEASURE J BOND BUILDING FUND GENERAL OBLIGATION BONDS, continued

2015 Series E General Obligation Bonds

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 yields of 0.79-3.26% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2042.

Fiscal Year	Principal	Interest	Total
2019	\$ 105,000	\$ 185,206	\$ 290,206
2020	-	183,106	183,106
2021	15,000	183,106	198,106
2022	30,000	182,656	212,656
2023	40,000	181,756	221,756
2024-2028	375,000	876,383	1,251,383
2029-2033	790,000	760,781	1,550,781
2034-2038	1,135,000	613,438	1,748,438
2039-2043	1,825,000	290,500	2,115,500
Total	\$ 4,315,000	\$ 3,456,932	\$ 7,771,932

2017 Series F General Obligation Bonds

On June 22, 2017, Series F of the Election 2010 Measure J bond authorization was issued, which consisted of current interest notes with an initial par amount of \$1,300,000 with stated interest yields of 0.88% to 1.78% and maturing through August 1, 2025.

Fiscal Year	Principal	Interest	Total
2019	\$ 165,000	\$ 37,850	\$ 202,850
2020	165,000	34,550	199,550
2021	140,000	31,250	171,250
2022	150,000	27,050	177,050
2023	155,000	21,800	176,800
2024-2026	525,000	29,225	554,225
Total	\$ 1,300,000	\$ 181,725	\$ 1,481,725

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018**

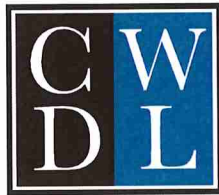
NOTE 5 – MEASURE J BOND BUILDING FUND GENERAL OBLIGATION BONDS, *continued*

2017 General Obligation Refunding Bonds

On June 22, 2017, the District issued 2017 Refunding General Obligation Bonds, totaling \$27,085,000. The bonds were issued as current interest notes, bear interest yields of 0.77-3.39% per annum from the date of issuance, and are payable on August 1 and February 1 of each year through August 2035. The bonds refunded a portion of the outstanding Series A General Obligation Bonds.

Fiscal Year	Principal	Interest	Total
2019	\$ 85,000	\$ 1,102,081	\$ 1,187,081
2020	85,000	1,100,381	1,185,381
2021	80,000	1,098,682	1,178,682
2022	70,000	1,096,281	1,166,281
2023	70,000	1,093,831	1,163,831
2024-2028	3,635,000	5,355,381	8,990,381
2029-2033	11,760,000	3,463,657	15,223,657
2034-2036	10,670,000	671,194	11,341,194
Total	\$ 26,455,000	\$ 14,981,488	\$ 41,436,488

**OTHER INDEPENDENT
AUDITORS' REPORTS**



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board Members and
Measure J Citizens' Oversight Committee
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 Measure J bond building fund, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Measure J bond building fund's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure J bond building fund'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 the Measure J bond building fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure J bond building fund's internal control.

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

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

Compliance and Other Matters

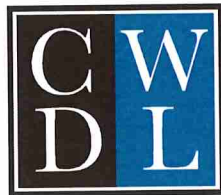
As part of obtaining reasonable assurance about whether Measure J bond building fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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
November 30, 2018



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure J Citizens' Oversight Committee
Emery Unified School District
Emeryville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure J bond building fund, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Measure J bond building fund'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 an opinion 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.

AUTHORITY FOR ISSUANCE

The Measure J Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on February 28, 2011.

The District received authorization at an election held on November 2, 2010, to issue bonds of the District in an aggregate principal amount not to exceed \$95,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2010 Authorization). The 2011A Bonds represent the first series of the authorized bonds to be issued under the 2010 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include replacing/upgrading outdated schools no longer meeting seismic safety standards; providing updated classrooms, technology, science/computer labs, improving school safety, creating energy efficient cost-saving facilities that provide job training, after-school, pre-school, and other community services.

"maintain academic excellence/student performance, attract and retain quality teachers by: replacing/upgrading outdated schools no longer meeting seismic safety standards; provide updated classrooms; technology, science/computer labs; improve school safety; create energy efficient cost-saving facilities that provide job training, after school, pre-school, and other community services by issuing \$95 million dollars in bonds at legal rates with citizens oversight, audits, and NO money for administrators salaries, benefits or pensions."

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.

3. Requires the school district to appoint a citizen's oversight committee. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
4. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Measure J Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure J.
2. Determine whether salary transactions charged to the Measure J Building Fund were in support of Measure J and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the Building Fund (Measure J). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure J as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$573,399. This represents 66% percent of the total expenditures of \$870,776.
3. We verified that funds from the Measure J Building Fund were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Measure J Building Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the Emery Unified School District has properly accounted for the expenditures made by the Measure J Building Fund and that such expenditures were made for authorized Bond projects. Further, it was noted that funds in the Measure J Building Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CWDL, Certified Public Accountants

San Diego, California
November 30, 2018

FINDINGS AND RESPONSES SECTION

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no audit findings noted during the 2017-18 year.

**MEASURE J BOND BUILDING FUND
EMERY UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018**

FINDING #2017-1: CASH DISBURSEMENTS

Criteria: The District should create a purchase order for all purchased items prior to purchase to ensure that proper budget tracking occurs and that proper approvals are obtained.

Condition: Expenditures tested had a purchase order or invoice dated after the invoice date. This causes a potential for budget overages and unauthorized purchases.

Cause: An internal control weakness exists with regard to the implementation of purchasing internal controls.

Effect: Funds are not encumbered in the District budgeting process against all expenditures made and proper authorization of purchases and verification of budget for such expenditures is being bypassed. The District may not timely receive ordered items and vendor relations may deteriorate in the case of late payments.

Perspective: One (1) of 40 expenditures tested had a purchase order dated after the invoice date.

Questioned Costs: None.

Recommendation: We recommend that the District ensure all employees are notified about and adhere to District policies for purchasing goods and services. Purchase orders should be generated for all purchases, including procurement of construction, maintenance and consulting services.

District Response: The District has implemented a procedure to insure that all expenditures to be paid from District warrants are paid based on properly approved purchase orders, receipts and other supporting documents, including purchase orders being obtained prior to the procurement of goods or services.

Status: Implemented