



**PERRIS UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

PERRIS UNION HIGH SCHOOL DISTRICT

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PERRIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Perris Union High School District
Perris, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the Perris Union High School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 for the year ended June 30, 2011.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison and other postemployment information on pages 51 through 54 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2011



*"Growing Together
Through Education"*

**2010-2011
Advanced Placement
Achievement District**

Board of Trustees

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William F. Hulstrom
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Candace Reines
Assistant Superintendent
Business Services

Marcy Savage
Assistant Superintendent
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Leslie Ventuleth
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This section of Perris Union High School District's (the District) (2010-2011) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011, with comparative information from 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Perris Union High School District.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's revenues were once again reduced considerably this past year due to the economy of the State. As a result, further budget reductions were implemented during the 2010-2011 school year. Limited resources were once again reevaluated and directed toward maintaining strong educational programs for the students served by the District. During 2010-2011, the District set student attendance goals and implemented processes that resulted in higher student in-seat time. This result was twofold, higher student test scores and an increase in Revenue Limit funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction and modernization programs, a few of which are listed below:

- Pinacate Middle School Portable Classrooms Relocation, funded by Measure "Z" Bond, was completed in August 2010.
- Compressed Natural Gas Facility project was completed in October 2010.
- Perris High School swine shelter was completed in December 2010.
- Heritage High School Marquee was completed in June 2011.
- Pinacate Middle School Expansion Project Phase I, funded by Measure "Z" bonds, Redevelopment Agency (RDA) and developer fees, started in June 2011.
- Heritage High School Agricultural Research Center project, in progress and projected to be completed in May 2012.
- Perris High School stadium completion project, funded by Measures "Z" Bonds, in progress and projected to be completed in June 2012.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a community day school program, two charter schools, and the on-going effort to expand, improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$153,614,983 for the fiscal year ended June 30, 2011. Of this amount, \$2,635,878 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2011	2010
Assets		
Current and other assets	\$ 56,572,469	\$ 67,150,637
Capital assets	206,595,848	198,476,499
Total Assets	<u>263,168,317</u>	<u>265,627,136</u>
Liabilities		
Current liabilities	8,354,605	8,467,516
Long-term obligations (includes current portion)	101,198,729	99,796,252
Total Liabilities	<u>109,553,334</u>	<u>108,263,768</u>
Net Assets		
Invested in capital assets, net of related debt	115,759,915	106,004,810
Restricted	35,219,190	46,988,749
Unrestricted	2,635,878	4,369,809
Total Net Assets	<u><u>\$ 153,614,983</u></u>	<u><u>\$ 157,363,368</u></u>

The \$2,635,878 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

		Governmental Activities	
		2011	2010
Revenues			
Program revenues:			
Charges for services		\$ 940,789	\$ -
Operating grants and contributions		14,853,676	11,991,393
Capital grants and contributions		63,416	174,098
General revenues:			
Federal and State aid, not restricted		45,114,596	36,089,941
Property taxes		26,486,737	30,488,002
Other general revenues		8,983,657	10,592,398
Total Revenues		<u>96,442,871</u>	<u>89,335,832</u>
Expenses			
Instruction		56,479,823	52,068,142
Instruction-related		11,572,630	11,522,460
Student support services		11,858,424	8,501,543
Administration		5,745,200	6,459,142
Maintenance and operations		9,175,194	10,179,102
Other		5,359,985	6,522,925
Total Expenses		<u>100,191,256</u>	<u>95,253,314</u>
Change in Net Assets		<u>\$ (3,748,385)</u>	<u>\$ (5,917,482)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$100,191,256. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$26,486,737 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$15,857,881). We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

In Table 3, we have presented the cost of each of the District's largest functions: instruction and instruction-related, pupil services, administration, maintenance and operations, and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction and instruction-related	\$ 68,052,453	\$ 63,590,602	\$ 58,192,931	\$ 53,955,271
Pupil services	11,858,424	8,501,543	7,077,896	6,821,624
Administration	5,745,200	6,459,142	4,666,762	5,647,426
Maintenance and operations	9,175,194	10,179,102	9,155,406	10,158,729
Other outgo	5,359,985	6,522,925	5,240,380	6,504,773
Total	\$ 100,191,256	\$ 95,253,314	\$ 84,333,375	\$ 83,087,823

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$48,007,865 which is a decrease of \$10,418,979 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2010	Revenues	Expenditures	June 30, 2011
General Fund	\$ 11,187,295	\$ 81,552,633	\$ 80,018,014	\$ 12,721,914
Charter School Fund	982,603	5,859,137	5,693,107	1,148,633
Cafeteria Fund	71,767	4,220,899	3,538,539	754,127
Capital Facilities Fund	10,212,242	859,250	705,820	10,365,672
Non-Major Governmental Funds	35,972,937	12,726,957	25,682,375	23,017,519
Total	\$ 58,426,844	\$ 105,218,876	\$ 115,637,855	\$ 48,007,865

The primary reasons for the increases and decreases to the Districts' fund balances are:

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund increased by \$1,534,619. The net increase is primarily due to the one-time transfer of \$5 million from the Special Reserve Fund to provide an additional revenue source to assist with the underfunding of State apportionment revenue while maintaining salary and benefit expenditures associated with contractual language.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

2. The Charter School Fund balance increased by \$166,030 due to increased General Purpose and Categorical Block Grant funding based on increased average daily attendance and the deferral of 2010-2011 planned expenditures to the 2011-2012 fiscal year, while maintaining salary and benefit expenditures for employees.
3. The Cafeteria Fund balance increased by \$682,360 due to a combination of an outside loan from the Bank of Hemet and the successful expansion of the nutrition service program.
4. The Capital Facilities Fund and Non-Major Governmental Funds decreased by \$12,801,988 collectively due primarily to the Pinacate Middle School Modernization (Phase I), the Heritage High School Agricultural Research Center (construction phase), the Heritage High School Marquee, the Perris High School swine shelter, and the Perris High School stadium expansion (planning phase).

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 51.

- Revenue revision increases made to the 2010-2011 adopted budget were primarily attributable to a combination of the reversal of the 3.85 percent reduction to the District's revenue limit, the September 2011 apportionment of one-time Federal Education Jobs Program funds, Redevelopment Agency funds and the State of California contributions to CalSTRS on behalf of the District (based on 4.267 percent of annual payroll).
- Budgeted expenditures decreased due to a combination of the deferral of 2010-2011 planned expenditures to the 2011-2012 fiscal year and the State of California on behalf payments to CalSTRS for the District (based on 4.267 percent of annual payroll).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$206,595,848 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$8,119,349 or 4.1 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2011	2010
Land and construction in progress	\$ 18,693,058	\$ 6,132,358
Buildings and improvements	182,914,824	186,874,165
Furniture and equipment	4,987,966	5,469,976
Total	\$ 206,595,848	\$ 198,476,499

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

This year's increase of \$12.5 million in land and construction in progress is primarily a result of E-rate projects at various sites and ongoing projects such as the Phase I addition to Pinacate Middle School, Perris High School additions, Heritage High School Agricultural Center, and High School #4. In addition, the \$4.0 million decrease in building and improvements along with \$0.5 million decrease in furniture and equipment pertain to depreciation expense being higher in 2010-2011 than actual purchases incurred, thus, reducing the book value of the existing assets. The overall total asset amount includes approximately \$6 million in current year depreciation expense for the 2010-2011 fiscal year.

Long-Term Obligations

At the end of this year, the District had \$101,198,729 in long-term obligations outstanding versus \$99,796,252 last year, an increase of 1.4 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2011	2010
General obligation bonds	\$ 62,128,878	\$ 62,460,829
Certificates of participation	26,725,000	27,620,000
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	3,769,669	4,234,125
Other	3,575,182	481,298
Total	\$ 101,198,729	\$ 99,796,252

General Obligation Bonds, Certificates of Participation and Capital Lease obligations decreased by the required annual principal payment. Other obligations include accumulated vacation payable and Public Agency Retirement Services retirement payable. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2010-2011:

Accomplishments supporting student learning throughout the 2010-2011 school year included professional development opportunities for teachers, administrators, support staff and parent/community members. Focus areas were core curriculum, assessment, student engagement, best instructional practices, behavior management, integration of technology and college/career preparation.

Academic Performance Index (API)

State results focus on how much schools are improving academically from year-to-year, based on results of statewide testing. The Academic Performance Index (API) is the cornerstone of the State's academic accountability requirements. Its purpose is to measure the academic performance growth of schools. (CDE 2010)

The API:

- is based on an improvement model
- consists of a Base and Growth API each year that allows for comparability and growth measurement

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

- base is calculated from previous year's test, and is used to calculate student improvement at the school/district level when compared to current year's test scores (Growth API)
- Each school has a unique target related to their Base API

Perris Union High School District (PUHSD) API Highlights:

- The District-wide API increased by 18 points
- The African American subgroup API increased by 44 points
- All numerically significant subgroups increased by a minimum of 15 points
- The California Military Institute (CMI) and Paloma Valley High School (PVHS) both surpassed the State target of 800 scoring 825 and 821, respectively
- CMI had the highest growth in the District with a 69 point gain

Adequate Yearly Progress (AYP)

- AYP is a Federal Accountability Measurement required by the Elementary and Secondary Education Act (ESEA)
- Status Model-Schools must meet minimum proficiency targets that increase approximately 10 percent each year until 2014 when all students are expected to achieve proficiency
- High school AYP proficiency is based primarily on the California High School Exit Exam (CAHSEE) Census administration given to all 10th grade students in March in the areas of English Language Arts and Math
- Middle school AYP proficiency is based on the California Standardized Test (CST), California Modified Assessment (CMA), and the California Alternate Performance Assessment (CAPA) in the areas of English Language Arts and Math

Perris Union High School District (PUHSD) 2011 AYP Highlights:

- The District-wide percent proficient increased by six percent in ELA and four percent in Math, respectively
- The African American subgroup met the AYP requirements via Safe harbor for both ELA and Math
- The African American, White, and English Learner (EL) subgroups showed the most significant gains in ELA and Math
- Perris High School, Paloma Valley High School and the California Military Institute met all AYP requirements

The District continues to focus on student learning and improved instructional practices and professional development for students, families, teachers, and administration. The 2010-2011 budget was built to support these guiding principles as well as exiting from Program Improvement status. The financial and instructional plans prioritize needs and allocation of resources to support the nine essential program components (NEPC).

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2011-2012 year, the governing board and management used the following criteria at adoption:

1. District enrollment, including Charter schools, is projected to be 10,631. This represented a decrease of 2.6 percent District-wide which, in comparison with the past three years, is a decrease in the District's growth rate. Overall District Average Daily Attendance (ADA); including Charters is projected to be 10,065. This represents a decrease of 80 or 0.8 percent.
2. Lottery funding for 2011-2012 is projected to be \$128.50 per prior-year annual ADA. This per-pupil rate reflects \$111.00 per pupil for unrestricted lottery revenues and \$17.50 per pupil for lottery funding restricted to the purchase of instructional materials.
3. Base Revenue Limit was calculated at \$5,990.98 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 2.24 percent paired with a deficit factor of 19.754 percent, plus an additional one-time on-going \$330 per ADA reduction applied to the Undeficitated Base Revenue Limit.
4. The District reserve for economic uncertainty is three percent and meets the minimum required reserve standard for a district this size.
5. With the uncertainty of the State budget and an effort to continue a fiscally conservative approach, the District moved forward in implementing 2011-2012 budget reductions that were recommended by the Superintendent and his Cabinet and were subsequently presented to and approved by the Board.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 about this report or need any additional financial information, contact Candace Reines, Assistant Superintendent, Business Services, at Perris Union High School District, 155 E. 4th Street, Perris, California, 92570, or e-mail at candace.reines@puhsd.org.

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2011

	Governmental Activities
ASSETS	
Deposits and investments	\$ 41,293,669
Receivables	14,398,440
Deferred charges	856,664
Stores inventories	23,696
Capital assets	
Land and construction in process	18,693,058
Other capital assets	240,802,224
Accumulated depreciation	(52,899,434)
Total Capital Assets	<u>206,595,848</u>
Total Assets	<u><u>263,168,317</u></u>
LIABILITIES	
Accounts payable	6,675,324
Interest payable	646,665
Deferred revenue	1,032,616
Long-term obligations	
Current portion of long-term obligations	3,718,495
Noncurrent portion of long-term obligations	97,480,234
Total Long-Term Obligations	<u>101,198,729</u>
Total Liabilities	<u><u>109,553,334</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	115,759,915
Restricted for:	
Debt service	11,850,205
Capital projects	17,914,050
Educational programs	4,234,535
Other activities	1,220,400
Unrestricted	2,635,878
Total Net Assets	<u><u>\$ 153,614,983</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Charges for Services and Sales	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 56,479,823	\$ 141,177	\$ 8,694,674	\$ 63,416	\$ (47,580,556)
Instruction-related activities:					
Supervision of instruction	2,158,816	-	849,938	-	(1,308,878)
Instructional library, media and technology	638,712	-	34,776	-	(603,936)
School site administration	8,775,102	4,661	70,880	-	(8,699,561)
Pupil services:					
Home-to-school transportation	3,702,805	1,181	696,039	-	(3,005,585)
Food services	3,414,706	604,414	2,855,732	-	45,440
All other pupil services	4,740,913	-	623,162	-	(4,117,751)
Administration:					
Data processing	1,102,924	-	14,990	-	(1,087,934)
All other administration	4,642,276	163,865	899,583	-	(3,578,828)
Plant services	9,175,194	6,060	13,728	-	(9,155,406)
Ancillary services	1,517,130	-	-	-	(1,517,130)
Community services	780	-	-	-	(780)
Interest on long-term obligations	3,828,856	-	-	-	(3,828,856)
Other outgo	13,219	19,431	100,174	-	106,386
Total Governmental Activities	\$ 100,191,256	\$ 940,789	\$ 14,853,676	\$ 63,416	(84,333,375)
General revenues and subventions:					
Property taxes, levied for general purposes					22,492,813
Property taxes, levied for debt service					3,488,573
Taxes levied for other specific purposes					505,351
Federal and State aid not restricted to specific purposes					45,114,596
Interest and investment earnings					148,332
Miscellaneous					8,835,325
Subtotal, General Revenues					80,584,990
Change in Net Assets					(3,748,385)
Net Assets - Beginning					157,363,368
Net Assets - Ending					\$ 153,614,983

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2011

	General Fund	Charter School Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 7,478,923	\$ 430,234	\$ 366,867
Receivables	12,064,030	1,262,893	482,213
Due from other funds	206,318	314,118	-
Stores inventories	-	-	23,696
Total Assets	\$ 19,749,271	\$ 2,007,245	\$ 872,776
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 5,801,394	\$ 218,685	\$ 36,200
Due to other funds	323,370	512,246	80,107
Deferred revenue	902,593	127,681	2,342
Total Liabilities	7,027,357	858,612	118,649
FUND BALANCES			
Nonspendable	97,012	-	23,696
Restricted	-	-	-
Committed	3,525,641	-	-
Assigned	62,329	646,565	-
Unassigned	9,036,932	502,068	730,431
Total Fund Balances	12,721,914	1,148,633	754,127
Total Liabilities and Fund Balances	\$ 19,749,271	\$ 2,007,245	\$ 872,776

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 10,094,822	\$ 22,922,823	\$ 41,293,669
18,831	570,473	14,398,440
500,000	2,009,252	3,029,688
-	-	23,696
<u>\$ 10,613,653</u>	<u>\$ 25,502,548</u>	<u>\$ 58,745,493</u>

\$ 247,981	\$ 371,064	\$ 6,675,324
-	2,113,965	3,029,688
-	-	1,032,616
<u>247,981</u>	<u>2,485,029</u>	<u>10,737,628</u>

-	-	120,708
10,365,672	23,017,519	33,383,191
-	-	3,525,641
-	-	708,894
-	-	10,269,431
<u>10,365,672</u>	<u>23,017,519</u>	<u>48,007,865</u>
<u>\$ 10,613,653</u>	<u>\$ 25,502,548</u>	<u>\$ 58,745,493</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

Total Fund Balance - Governmental Funds \$ 48,007,865
**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is:	\$ 259,495,282	
Accumulated depreciation is:	<u>(52,899,434)</u>	
Net Capital Assets		206,595,848

Expenditures relating to issuance of debt of next fiscal year were
recognized on modified accrual basis, but are not recognized on the
accrual basis. 856,664

In governmental funds, unmatured interest on long-term obligations is
recognized in the period when it is due. On the government-wide
financial statements, unmatured interest on long-term obligations is
recognized when incurred. (646,665)

Long-term obligations, including bonds payable, are not due and payable in
the current period and, therefore, are not reported as liabilities in the
funds.

Long-term obligations at year-end consist of:

General obligation bonds	62,128,878	
Certificates of participation	26,725,000	
QZAB lease purchase agreement	5,000,000	
Capital leases	3,769,669	
Accumulated vacation	353,992	
Supplemental employee retirement plan (SERP)	<u>3,221,190</u>	
Total Long-Term Obligations		(101,198,729)
Total Net Assets - Governmental Activities		<u><u>\$ 153,614,983</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Charter School Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	\$ 55,002,572	\$ 5,160,310	\$ -
Federal sources	6,099,328	30,139	3,021,839
Other State sources	9,779,795	646,731	248,580
Other local sources	5,301,991	21,957	662,770
Total Revenues	76,183,686	5,859,137	3,933,189
EXPENDITURES			
Current			
Instruction	44,415,050	3,483,639	-
Instruction-related activities:			
Supervision of instruction	2,159,391	-	-
Instructional library, media, and technology	635,154	3,640	-
School site administration	6,915,961	1,175,156	-
Pupil services:			
Home-to-school transportation	3,702,898	-	-
Food services	-	-	3,502,856
All other pupil services	4,662,387	78,997	-
Administration:			
Data processing	1,054,759	1,372	-
All other administration	4,045,386	332,320	142,187
Plant services	9,644,466	470,398	-
Facility acquisition and construction	761,994	-	-
Ancillary services	1,385,450	147,585	-
Community services	780	-	-
Other outgo	13,219	-	-
Debt service			
Principal	464,456	-	-
Interest and other	156,663	-	5,786
Total Expenditures	80,018,014	5,693,107	3,650,829
Excess (Deficiency) of Revenues Over Expenditures	(3,834,328)	166,030	282,360
Other Financing Sources (Uses)			
Transfers in	5,368,947	-	-
Other sources	-	-	500,000
Transfers out	-	-	(100,000)
Net Financing Sources (Uses)	5,368,947	-	400,000
NET CHANGE IN FUND BALANCES	1,534,619	166,030	682,360
Fund Balances - Beginning	11,187,295	982,603	71,767
Fund Balances - Ending	\$ 12,721,914	\$ 1,148,633	\$ 754,127

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 60,162,882
-	81,663	9,232,969
-	1,052,873	11,727,979
759,250	8,073,073	14,819,041
<u>759,250</u>	<u>9,207,609</u>	<u>95,942,871</u>
-	81,663	47,980,352
-	-	2,159,391
-	-	638,794
-	-	8,091,117
-	-	3,702,898
-	-	3,502,856
-	-	4,741,384
-	-	1,056,131
236,319	-	4,756,212
24,180	4,932,306	15,071,350
445,321	6,933,031	8,140,346
-	-	1,533,035
-	-	780
-	-	13,219
-	2,350,000	2,814,456
-	2,497,080	2,659,529
<u>705,820</u>	<u>16,794,080</u>	<u>106,861,850</u>
<u>53,430</u>	<u>(7,586,471)</u>	<u>(10,918,979)</u>
100,000	3,519,348	8,988,295
-	-	500,000
-	(8,888,295)	(8,988,295)
<u>100,000</u>	<u>(5,368,947)</u>	<u>500,000</u>
153,430	(12,955,418)	(10,418,979)
10,212,242	35,972,937	58,426,844
<u>\$ 10,365,672</u>	<u>\$ 23,017,519</u>	<u>\$ 48,007,865</u>

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

PERRIS UNION HIGH 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, 2011

Total Net Change in Fund Balances - Governmental Funds		\$ (10,418,979)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	\$ 14,353,215	
Depreciation expense	<u>(6,105,488)</u>	
Net Expense Adjustment		8,247,727
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$12,347 and supplemental retirement earned was less than the amount used by \$114,959.		127,306
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Supplemental Employee Retirement Plan (SERP)		(3,221,190)
In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the Statement of Activities, they are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issue costs amortized for the period is:		(158,231)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
General obligation bonds		1,455,000
Certificates of participation		895,000
Capital lease obligations		464,456
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$16,425 and second, \$1,123,049 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,139,474)
Change in Net Assets of Governmental Activities		<u><u>\$ (3,748,385)</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Agency Funds
ASSETS	
Deposits and investments	\$ 566,411
LIABILITIES	
Due to student groups	\$ 566,411

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Perris Union High School District (the District) was incorporated on August 23, 1897, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates one middle school, three high schools, a continuation school, a community day school, two charter schools and an adult education school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Perris Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the Governing Board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Perris Valley Schools Capital Facilities Corporation's (the Corporation) financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and the Corporation Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for Perris Valley Schools Capital Facilities Corporation.

The Community Facilities District 91-1 and the Community Facilities District 92-1 (the CFDs) financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units, included in the governmental funds of the District. No debt has been issued by the CFDs. Individually prepared financial statements are not prepared for the CFDs.

Other Related Entities

Charter School The District has approved Charters for Choice 2000 Online Charter School and California Military Institute pursuant to *Education Code* Section 47605. The Charter Schools are operated by the District, and their financial activities are presented in the Charter School Fund.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

Charter Schools Fund The Charter School's Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District that are considered blended component units of the District under generally accepted accounting principles.

Debt Service Funds The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

QZAB Fund The QZAB Fund is used to account for the accumulation of resources for the lease payment related to the QZAB lease purchase agreement between the District and the Public Property Financing Corporation of California.

Corporation Debt Service Fund The Corporation Debt Service Fund is used to account for the accumulation of resources for the payment of the principal and interest related to certificates of participation issued by the Perris Valley Schools Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

2003 COP Debt Service Fund The 2003 COP Debt Service Fund is used to account for the accumulation of resources for the payment of the principal and interest related to the 2003 certificates of participation issued by the Perris Valley Schools Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

2007 COP Debt Service Fund The 2007 COP Debt Service Fund is used to account for the accumulation of resources for the payment of the principal and interest related to the 2007 certificates of participation issued by the Perris Valley Schools Capital Facilities Corporation that is considered a blended component unit of the District under generally accepted accounting principles (GAAP).

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no proprietary funds.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 the 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 is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Governmental Funds All governmental funds are accounted for using the 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 Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 is defined as collectible within 60 days. However to achieve comparability of reporting among California 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 districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$35,219,190 of restricted net assets.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the Governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

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Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this Statement for the year ended June 30, 2011.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 40,727,258
Fiduciary funds	566,411
Total Deposits and Investments	<u>\$ 41,293,669</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 759,162
Cash in revolving	25,000
Investments	40,509,507
Total Deposits and Investments	<u>\$ 41,293,669</u>

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Authorizations

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

Authorized Investment Type	Maximum Remaining 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	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Days
Commercial Paper - F Car Owner Trust	\$ 3,526,690	162 days
First American Treasury Obligation	2,852,008	N/A
Money Market	7,234,090	N/A
County Pool	28,861,192	372 days
Total	<u>\$ 42,473,980</u>	

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating as of June 30, 2011	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	A+	\$ 3,526,690
First American Treasury Obligations	Not Required	Not Rated	2,852,008
Money Market	Not Required	Not Rated	7,234,090
County Pool	Not Required	AAA/V1+	28,861,192
Total Investments			<u>\$ 42,473,980</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$441,855 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government						
Categorical aid	\$ 871,372	\$ -	\$ 441,103	\$ -	\$ 41,235	\$ 1,353,710
State Government						
Apportionment	8,533,265	1,043,174	-	-	-	9,576,439
Categorical aid	871,938	170,874	39,477	-	476,823	1,559,112
Lottery	640,265	48,051	-	-	-	688,316
Local Government						
Interest	23,207	794	268	18,831	11,163	54,263
Other Local Sources	1,123,983	-	1,365	-	41,252	1,166,600
Total	<u>\$ 12,064,030</u>	<u>\$ 1,262,893</u>	<u>\$ 482,213</u>	<u>\$ 18,831</u>	<u>\$ 570,473</u>	<u>\$ 14,398,440</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,515,140	\$ 8,026,122	\$ -	\$ 11,541,262
Construction in Progress	2,617,218	4,534,578	-	7,151,796
Total Capital Assets				
Not Being Depreciated	6,132,358	12,560,700	-	18,693,058
Capital Assets Being Depreciated:				
Land Improvements	16,284,785	421,172	30,680	16,675,277
Buildings	214,406,473	848,888	65,498	215,189,863
Equipment	8,447,435	522,455	32,806	8,937,084
Total Capital Assets				
Being Depreciated	239,138,693	1,792,515	128,984	240,802,224
Total Capital Assets	245,271,051	14,353,215	128,984	259,495,282
Less Accumulated Depreciation:				
Land Improvements	8,288,843	710,777	374	8,999,246
Buildings	35,528,250	4,422,820	-	39,951,070
Equipment	2,977,459	971,891	232	3,949,118
Total Accumulated Depreciation	46,794,552	6,105,488	606	52,899,434
Governmental Activities Capital Assets, Net	<u>\$ 198,476,499</u>	<u>\$ 8,247,727</u>	<u>\$ 128,378</u>	<u>\$ 206,595,848</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities

Instruction	\$ 5,310,187
School site administration	686,501
Data processing	53,606
All other administration	5,495
Plant services	49,699
Total Depreciation Expenses All Activities	<u>\$ 6,105,488</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2011, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Charter School Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 12,246	\$ 80,107	\$ 113,965	\$ 206,318
Charter School Fund	314,118	-	-	-	314,118
Capital Facilities Fund	-	500,000	-	-	500,000
Non-Major Governmental Funds	9,252	-	-	2,000,000	2,009,252
Total	<u>\$ 323,370</u>	<u>\$ 512,246</u>	<u>\$ 80,107</u>	<u>\$ 2,113,965</u>	<u>\$ 3,029,688</u>

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfer To	Transfer From		Total
	Cafeteria Funds	Non-Major Governmental Funds	
General Fund	\$ -	\$ 5,368,947	\$ 5,368,947
Capital Facilities Fund	100,000	-	100,000
Non-Major Governmental Funds	-	3,519,348	3,519,348
Total	<u>\$ 100,000</u>	<u>\$ 8,888,295</u>	<u>\$ 8,988,295</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Charter School Fund	Cafeteria Fund	Capital Facilities Fund
Vendor payables	\$ 1,788,923	\$ 65,027	\$ 36,200	\$ 26,282
State apportionment	3,946,231	147,253	-	-
Salaries and benefits	66,240	6,405	-	-
Construction	-	-	-	221,699
Total	<u>\$ 5,801,394</u>	<u>\$ 218,685</u>	<u>\$ 36,200</u>	<u>\$ 247,981</u>

	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 4,627	\$ 1,921,059
State apportionment	-	4,093,484
Salaries and benefits	-	72,645
Construction	366,437	588,136
Total	<u>\$ 371,064</u>	<u>\$ 6,675,324</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consisted of the following:

	General Fund	Charter Fund	Cafeteria Fund	Total
Federal financial assistance	\$ 900,077	\$ 127,681	\$ -	\$ 1,027,758
State categorical aid	2,516	-	-	2,516
Other local	-	-	2,342	2,342
Total	<u>\$ 902,593</u>	<u>\$ 127,681</u>	<u>\$ 2,342</u>	<u>\$ 1,032,616</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2010	Additions and Adjustments	Deductions	Balance June 30, 2011	Due in One Year
General Obligation Bonds	\$ 62,460,829	\$ 1,123,049	\$ 1,455,000	\$ 62,128,878	\$ 1,685,000
Certificates of Participation	27,620,000	-	895,000	26,725,000	925,000
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	4,234,125	-	464,456	3,769,669	481,641
Accumulated Vacation	366,339	-	12,347	353,992	-
PARS Retirement	114,959	-	114,959	-	-
SERP	-	3,221,190	-	3,221,190	626,854
OPEB Obligation	-	50,841	50,841	-	-
	<u>\$ 99,796,252</u>	<u>\$ 4,395,080</u>	<u>\$ 2,992,603</u>	<u>\$ 101,198,729</u>	<u>\$ 3,718,495</u>

- Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.
- Payments on the Certificates of Participation are made from the 2003 Debt Service Fund and the 2007 COP Debt Service Fund.
- Payments on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.
- Payments for the Capital Leases are made from the General Fund.
- Payments for Accumulated Vacation are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for the PARS Retirement are made from the General Fund.
- Payments for the OPEB obligation are made from the General Fund.
- Payments for the SERP are made from the General Fund and Charter School Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Issued	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2011
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 5,128,705	\$ -	\$ 357,017	\$ -	\$ 5,485,722
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	6,789,965	-	372,724	-	7,162,689
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	4,600,000	-	-	850,000	3,750,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	39,360,229	-	363,559	330,000	39,393,788
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	6,581,930	-	29,749	275,000	6,336,679
				<u>\$ 62,460,829</u>	<u>\$ -</u>	<u>\$ 1,123,049</u>	<u>\$ 1,455,000</u>	<u>\$ 62,128,878</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Election 1999, Series A General Obligation Bonds

In May 2000, the District issued \$8,313,075 in Election 1999, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2011, the principal balance outstanding was \$5,485,722.

Election 1999, Series B General Obligation Bonds

In November 2002, the District issued \$7,686,807 in Election 1999, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2011, the principal balance outstanding was \$7,162,689.

2005 General Obligation Refunding Bonds

In February 2005, the District issued \$7,805,000 in 2005 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 1999, Series A General Obligation Bonds, Election 1999, Series B and to finance the acquisition, construction and modernization of property and school facilities. At June 30, 2011, the principal balance outstanding was \$3,750,000.

Election 2004, Series A General Obligation Bonds

In February 2005, the District issued \$38,764,558 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2011, the principal balance outstanding was \$39,393,788.

Election 2004, Series B General Obligation Bonds

In March 2006, the District issued \$7,232,820 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2011, the principal balance outstanding was \$6,336,679.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Debt Service Requirements to Maturity

The bonds mature through 2034, as follows:

Fiscal Year	Principal	Interest and Accreted Value Payment	Total
2012	\$ 1,685,000	\$ 1,907,794	\$ 3,592,794
2013	1,945,000	1,838,569	3,783,569
2014	2,225,000	1,757,938	3,982,938
2015	2,288,426	3,288,987	5,577,413
2016	2,085,981	2,338,263	4,424,244
2017-2021	14,357,527	11,484,557	25,842,084
2022-2026	19,258,547	11,278,154	30,536,701
2027-2030	10,871,778	16,232,097	27,103,875
Subtotal	54,717,259	50,126,359	104,843,618
Accreted Interest	7,411,620	(7,411,620)	-
Total	<u>\$ 62,128,879</u>	<u>\$ 42,714,739</u>	<u>\$ 104,843,618</u>

Certificates of Participation

In January 2004, the District issued \$23,500,000 in Certificates of Participation to finance modernization, improvement and construction of District's facilities. The certificates are subject to a floating rate of interest. At June 30, 2011, the floating rate of interest was 3.920 percent. The outstanding principal balance at June 30, 2011, is \$18,475,000.

In December 2007, the District issued \$23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2011, is \$8,250,000.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Payments are required as follows:

Year Ending June 30,	2003 COP			2007 COP		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 645,000	\$ 181,055	\$ 826,055	\$ 280,000	\$ 339,694	\$ 619,694
2013	670,000	174,734	844,734	285,000	328,394	613,394
2014	600,000	168,168	768,168	300,000	316,694	616,694
2015	615,000	162,288	777,288	310,000	304,494	614,494
2016	635,000	156,261	791,261	320,000	291,894	611,894
2017-2021	3,475,000	684,040	4,159,040	1,810,000	1,252,269	3,062,269
2022-2026	4,020,000	503,475	4,523,475	2,215,000	847,072	3,062,072
2027-2031	4,665,000	294,196	4,959,196	2,730,000	317,300	3,047,300
2032-2035	3,150,000	62,328	3,212,328	-	-	-
Total	\$ 18,475,000	\$ 2,386,545	\$ 20,861,545	\$ 8,250,000	\$ 3,997,811	\$ 12,247,811

Year Ending June 30,	Total	
	Principal	Interest
2012	\$ 925,000	\$ 520,749
2013	955,000	503,128
2014	900,000	484,862
2015	925,000	466,782
2016	955,000	448,155
2017-2021	5,285,000	1,936,309
2022-2026	6,235,000	1,350,547
2027-2031	7,395,000	611,496
2032-2035	3,150,000	62,328
Total	\$ 26,725,000	\$ 6,384,356

Qualified Zone Academy Bonds (QZAB) Lease Purchase Agreement

On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued \$5,000,000 Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. The Bonds mature on December 9, 2018, with the entire principal amount of \$5,000,000 due at this date. The Bonds do not bear interest. In lieu of receiving periodic interest or sinking fund payments, qualified buyers will receive an annual Federal tax credit as set by the U.S. Treasury Department. Payment of principal on the Bonds is secured by an initial deposit of \$2,618,141 made by the District on the date of issuance. The initial deposit, together with accrued interest earnings shall be sufficient to make the lease payment in full at maturity. As of June 30, 2011, US Bank held \$3,658,778 for the lease payment.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	<u>School Buses</u>
Balance, July 1, 2010	\$ 4,968,947
Payments	621,118
Balance, June 30, 2011	<u>\$ 4,347,829</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2012	\$ 621,118
2013	621,118
2014	621,118
2015	621,118
2016	621,118
2017-2018	1,242,239
Total	<u>4,347,829</u>
Less: Amount Representing Interest	578,160
Present Value of Minimum Lease Payments	<u>\$ 3,769,669</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2011, include the following:

Equipment	\$ 5,238,519
Less: Accumulated depreciation	(1,833,482)
Total	<u>\$ 3,405,037</u>

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$353,992.

Public Agency Retirement Services

The District had no remaining PARS retirement obligation as of June 30, 2011.

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. Currently, there are 51 employees participating in this plan and the District's obligation to those retirees as of June 30, 2011, is \$3,221,190.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$50,841 and contributions made by the District during the year were \$50,841. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$0 and \$(0), respectively, which resulted in no change to the net OPEB obligation. As of June 30, 2011, the net OPEB obligation was \$0. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Cafeteria Fund
Nonspendable			
Revolving cash	\$ 25,000	\$ -	\$ -
Stores inventories	72,012	-	23,696
Total Nonspendable	<u>97,012</u>	<u>-</u>	<u>23,696</u>
Restricted			
Capital projects	-	-	-
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Committed			
Other committed	3,525,641	-	-
Total Committed	<u>3,525,641</u>	<u>-</u>	<u>-</u>
Assigned			
Other assignments	62,329	646,565	-
Total Assigned	<u>62,329</u>	<u>646,565</u>	<u>-</u>
Unassigned			
Economic uncertainties	2,440,965	290,922	-
Remaining unassigned	6,595,967	211,146	730,431
Total Unassigned	<u>9,036,932</u>	<u>502,068</u>	<u>730,431</u>
Total	<u>\$ 12,721,914</u>	<u>\$ 1,148,633</u>	<u>\$ 754,127</u>

Capital Facilities Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 25,000
-	-	95,708
-	-	120,708
10,365,672	23,017,519	33,383,191
10,365,672	23,017,519	33,383,191
-	-	3,525,641
-	-	3,525,641
-	-	708,894
-	-	708,894
-	-	2,731,887
-	-	7,537,544
-	-	10,269,431
<u>\$ 10,365,672</u>	<u>\$ 23,017,519</u>	<u>\$ 48,007,865</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Perris Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of five retirees currently receiving benefits.

Contribution Information

For fiscal year 2010-2011, the District contributed \$50,841 to the Plan, all of which was used for current premiums (100 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	50,841
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		<u>50,841</u>
Contributions made		<u>50,841</u>
Increase in net OPEB obligation		-
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	\$	<u><u>-</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 50,841	\$ 50,841	100%	\$ -
2010	50,841	50,841	100%	-
2011	50,841	50,841	100%	-

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
September 4, 2009	\$ -	\$ 422,310	\$ 422,310	\$ -	\$ 50,163,556	1%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets; errors and omissions, injuries to employees, life and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$100,000,000 and deductibles ranging from \$500 to \$5,000. The District also purchases coverage for general liability claims with limits up to \$1,000,000 per occurrence with excess liability coverage up to \$25,000,000 per occurrence and \$60,000,000 in the aggregate, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the Plan.

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets; errors and omissions, injuries to employees, life and health of employees and natural disasters. During fiscal year ending June 30, 2011, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Workers' Compensation

For fiscal year 2011, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District is a member of the Riverside Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$3,159,611, \$3,205,162, and \$3,137,639, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$2,111,961, \$1,908,544, and \$1,851,468, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,654,254 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 - 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, 2011.

Litigation

The District is the chartering agency for Choice 2000 Online Charter School (the Charter School). There are currently two legal proceedings pending that could impact prior and future funding of the Charter School's operation as a seat time program. Hearings have been scheduled to determine resolution of prior and current year audit findings related to the Charter School. The District will continue to pursue a settlement and legislative options to resolve the issues prior to these hearings. The extent of potential loss to the District is unknown at this time, but based upon the prior and current year annual financial audits a preliminary estimate is \$6.9 million.

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Heritage High School AG Center	\$ 1,773,177	12/31/2011
Perris High School Stadium Expansion	1,290,307	6/30/2013
Pinacate Middle School (Phase 1)	5,147,418	12/31/2012
	<u>\$ 8,210,902</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Risk Management Authority (RSRMA), Riverside Employer/Employee Partnership (REEP), and the Riverside Schools' Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

During the year ended June 30, 2011, the District made payments of \$1,312,304, \$6,356,566, and \$444,919 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-2010 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), approximately 28 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 53,455,178	\$ 55,039,246	\$ 55,002,572	\$ (36,674)
Federal sources	4,669,015	6,250,099	6,099,328	(150,771)
Other State sources	7,531,520	7,813,679	9,779,795	1,966,116
Other local sources	4,545,356	4,974,063	5,301,991	327,928
Total Revenues ¹	70,201,069	74,077,087	76,183,686	2,106,599
EXPENDITURES				
Current				
Certificated salaries	36,491,793	36,011,401	35,820,487	190,914
Classified salaries	11,596,406	11,551,199	11,952,598	(401,399)
Employee benefits	14,573,287	14,470,698	15,931,387	(1,460,689)
Books and supplies	2,985,876	3,781,971	3,619,942	162,029
Services and operating expenditures	12,258,277	12,324,799	11,687,843	636,956
Capital outlay	3,679,103	1,010,945	844,604	166,341
Other outgo	(351,608)	(503,247)	(459,966)	(43,281)
Debt service				
Principal	464,456	464,456	464,456	-
Interest	156,663	156,663	156,663	-
Total Expenditures ¹	81,854,253	79,268,885	80,018,014	(749,129)
Excess (Deficiency) of Revenues Over Expenditures	(11,653,184)	(5,191,798)	(3,834,328)	1,357,470
OTHER FINANCING SOURCES (USES)				
Transfers in	4,900,000	5,369,006	5,368,947	(59)
NET CHANGE IN FUND BALANCES	(6,753,184)	177,208	1,534,619	1,357,411
Fund Balances - Beginning	11,187,295	11,187,295	11,187,295	-
Fund Balances - Ending	\$ 4,434,111	\$ 11,364,503	\$ 12,721,914	\$ 1,357,411

¹ On behalf payments of \$1,654,254 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

PERRIS UNION HIGH SCHOOL DISTRICT

CHARTER SCHOOL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Revenue limit sources	\$ 4,825,724	\$ 5,171,511	\$ 5,160,310	\$ (11,201)
Federal sources	-	30,140	30,139	(1)
Other State sources	510,665	620,058	646,731	26,673
Other local sources	9,000	23,080	21,957	(1,123)
Total Revenues	5,345,389	5,844,789	5,859,137	14,348
EXPENDITURES				
Current				
Certificated salaries	2,880,933	2,871,937	2,876,570	(4,633)
Classified salaries	322,237	385,823	426,660	(40,837)
Employee benefits	853,938	856,529	887,514	(30,985)
Books and supplies	579,499	440,977	383,502	57,475
Services and operating expenditures	778,731	769,378	771,984	(2,606)
Capital outlay	-	26,107	15,879	10,228
Other outgo	461,108	357,121	330,998	26,123
Total Expenditures	5,876,446	5,707,872	5,693,107	14,765
Excess (Deficiency) of Revenues Over Expenditures	(531,057)	136,917	166,030	29,113
Fund Balances - Beginning	982,603	982,603	982,603	-
Fund Balances - Ending	\$ 451,546	\$ 1,119,520	\$ 1,148,633	\$ 29,113

PERRIS UNION HIGH SCHOOL DISTRICT

CAFETERIA FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Federal sources	\$ 2,519,503	\$ 2,667,069	\$ 3,021,839	\$ 354,770
Other State sources	175,188	234,204	248,580	14,376
Other local sources	152,379	729,525	662,770	(66,755)
Total Revenues	2,847,070	3,630,798	3,933,189	302,391
EXPENDITURES				
Current				
Classified salaries	800,213	931,956	945,994	(14,038)
Employee benefits	415,807	324,703	321,860	2,843
Books and supplies	104,400	2,102,346	1,983,825	118,521
Services and operating expenditures	140,257	230,700	163,027	67,673
Capital outlay	145,500	88,150	88,150	-
Other outgo	-	163,641	142,187	21,454
Debt service				
Interest	-	-	5,786	(5,786)
Total Expenditures	1,606,177	3,841,496	3,650,829	190,667
Excess (Deficiency) of Revenues Over Expenditures	1,240,893	(210,698)	282,360	493,058
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	-	-	-
Other sources	-	500,000	500,000	-
Transfers out	-	-	(100,000)	(100,000)
Net Financing Uses	1,400,000	500,000	400,000	(100,000)
NET CHANGE IN FUND BALANCES	2,640,893	289,302	682,360	393,058
Fund Balances - Beginning	71,767	71,767	71,767	-
Fund Balances - Ending	\$ 2,712,660	\$ 361,069	\$ 754,127	\$ 393,058

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
September 4, 2009	\$ -	\$ 422,310	\$ 422,310	\$ -	\$ 50,163,556	1%

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Basic Education - ABE and ESL Services	84.002A	14508	\$ 52,325
Adult Basic Education - Adult Secondary	84.002	13978	29,338
Elementary and Secondary Education Act as amended by the No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,012,553
ARRA: Title I Part A	84.389	15005	139,761
ARRA - State Fiscal Stabilization Fund	84.394	25008	1,531,414
Education Jobs Fund	84.410	25152	1,067,535
Title II, Part A- Improving Teacher Quality Local Grants	84.367	14341	194,271
Title II, Part D- Enhancing Education Through Technology, Formula Grants	84.318	14334	4,770
ARRA Title II, Part D, Enhancing Education Through Technology (EETT)	84.386	15019	18,896
Title III- Immigrant Education Program	84.365	14346	1,621
Title III- Limited English Proficiency Program	84.365	10084	181,286
Title X McKinney-Vento Homeless Assistance Grant	84.196	14332	5,000
Subtotal			<u>5,238,770</u>
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance, Part B	84.027	13379	1,125,734
ARRA - IDEA: Part B	84.391	15003	345,856
Vocational Programs:			
Vocational and Applied Technology Secondary II C, Sec 131	84.048	14894	156,336
Subtotal			<u>1,627,926</u>
Total Department of Education			<u>6,866,696</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	2,320,878
School Breakfast Program	10.553	13390	59,160
Needy Breakfast Program	10.556	13392	427,049
Meals Supplement	10.558	13393	2,462
Commodities	10.558	13534	212,290
Subtotal			<u>3,021,839</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officers Training Corps	12.000	[1]	171,625
Total Department of Defense			<u>171,625</u>

[1] Direct funded program, Pass-Through Entity Number not applicable.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	\$ 130,012
Medi-Cal Administrative Activities	93.778	10060	<u>84,292</u>
Total Department of Health and Human Services			<u>214,304</u>
Total Federal Programs			<u>\$ 10,274,464</u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

ORGANIZATION

The Perris Union High School District was incorporated on August 23, 1897, and consists of an area comprising approximately 179 square miles. The District operates one middle school, three high schools, a continuation school, a community day school, two charter schools, and an adult education school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eric F. Kroencke	President	2012
Carolyn A. Twyman	Vice President	2014
Randy Williams	Clerk	2012
Joan D. Cooley	Member	2012
William F. Hulstrom	Member	2014

ADMINISTRATION

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Assistant Superintendent, Business Services
Marcy Savage	Assistant Superintendent, Educational Services
Leslie Ventuleth	Chief Human Resources Officer
Mary Perea	Director of Fiscal Services

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
ELEMENTARY		
Seventh and eighth	1,156	1,157
Home and hospital	1	1
Special education	11	11
Community day school	6	7
Total Elementary	1,174	1,176
SECONDARY		
Regular classes	7,315	7,281
Continuation education	362	353
Home and hospital	1	1
Special education	72	72
Community day school	80	81
Total Secondary	7,830	7,788
Total K-12	9,004	8,964
CHARTER SCHOOLS		
California Military Institute		
Seventh and eighth	400	398
Ninth through twelfth	288	284
Total	688	682
California Military Institute - Classroom-based		
Seventh and eighth	400	398
Ninth through twelfth	288	284
Total	688	682
Choice 2000 On-Line		
Ninth through twelfth	205	211
Choice 2000 On-Line - Classroom-based		
Ninth through twelfth	-	-

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2011

District

Grade Level	1982-83	1982-83	1986-87	1986-87	2010-11	Number of Days		Status
	Actual Minutes	Reduced Minutes	Minutes Requirement	Reduced Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	59,200	57,556	54,000	52,500				
Grade 7					60,009	180	N/A	Complied
Grade 8					60,009	180	N/A	Complied
Grades 9 - 12	55,332	53,795	64,800	63,000				
Grade 9					65,316	180	N/A	Complied
Grade 10					65,316	180	N/A	Complied
Grade 11					65,316	180	N/A	Complied
Grade 12					65,316	180	N/A	Complied

California Military Institute

Grade Level	1982-83	1982-83	1986-87	1986-87	2010-11	Number of Days		Status
	Actual Minutes	Reduced Minutes	Minutes Requirement	Reduced Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	59,200	57,556	54,000	52,500				
Grade 7					65,012	180	N/A	Complied
Grade 8					65,012	180	N/A	Complied
Grades 9 - 12	55,332	53,795	64,800	63,000				
Grade 9					65,092	180	N/A	Complied
Grade 10					65,092	180	N/A	Complied
Grade 11					65,092	180	N/A	Complied
Grade 12					65,092	180	N/A	Complied

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 ¹	2011	2010	2009
GENERAL FUND				
Revenues	\$ 69,270,360	\$ 76,183,686	\$ 75,572,214	\$ 80,582,179
Other sources and transfers in	-	5,368,947	-	603,872
Total Revenues and Other Sources	69,270,360	81,552,633	75,572,214	81,186,051
Expenditures	78,017,812	80,018,014	79,794,586	79,635,206
Other uses and transfers out	-	-	-	712,519
Total Expenditures and Other Uses	78,017,812	80,018,014	79,794,586	80,347,725
INCREASE (DECREASE) IN FUND BALANCE	\$ (8,747,452)	\$ 1,534,619	\$ (4,222,372)	\$ 838,326
ENDING FUND BALANCE	\$ 3,974,462	\$ 12,721,914	\$ 11,187,295	\$ 15,409,667
AVAILABLE RESERVES ²	\$ 2,345,775	\$ 2,440,965	\$ 3,124,001	\$ 3,144,605
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.01%	3.11%	4.00%	4.00%
LONG-TERM OBLIGATIONS	N/A	\$ 101,198,729	\$ 99,796,252	\$ 101,322,549
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	8,918	9,004	9,022	8,783

The General Fund balance has decreased by \$2,687,753 over the past two years. The fiscal year 2011-2012 budget projects a further decrease of \$8,747,452 (68.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long-term obligations have decreased by \$123,820 over the past two years.

Average daily attendance has increased by 221 over the past two years. Decline of 86 ADA is anticipated during fiscal year 2011-2012.

¹ Budget 2012 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.

³ On behalf payments of \$1,654,254, \$1,694,563, and \$1,757,799, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2011, 2010, and 2009, respectively.

⁴ Excludes Adult Education and Charter School ADA.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Military Institute	Yes
Choice 2000 On-Line High School	Yes

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2011

	Adult Education Fund	Deferred Maintenance Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS					
Deposits and investments	\$ 63,478	\$ -	\$ 2,972,271	\$ 3,618,525	\$ 996
Receivables	41,235	-	4,819	524,295	70
Due from other funds	9,252	-	-	-	-
Total Assets	\$ 113,965	\$ -	\$ 2,977,090	\$ 4,142,820	\$ 1,066
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 79,560	\$ 291,504	\$ -
Due to other funds	113,965	-	-	-	-
Total Liabilities	113,965	-	79,560	291,504	-
Fund Balances:					
Restricted	-	-	-	3,851,316	1,066
Unassigned	-	-	2,897,530	-	-
Total Fund Balances	-	-	2,897,530	3,851,316	1,066
Total Liabilities and Fund Balances	\$ 113,965	\$ -	\$ 2,977,090	\$ 4,142,820	\$ 1,066

See accompanying note to supplementary information.

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	QZAB Fund	Corporation Debt Service Fund	2003 COP Debt Service Fund	2007 COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 5,770,737	\$ 3,946,645	\$ 3,815,279	\$ 74,470	\$ 2,035,128	\$ 625,294	\$ 22,922,823
-	-	-	54	-	-	570,473
-	-	-	1,924,520	75,480	-	2,009,252
<u>\$ 5,770,737</u>	<u>\$ 3,946,645</u>	<u>\$ 3,815,279</u>	<u>\$ 1,999,044</u>	<u>\$ 2,110,608</u>	<u>\$ 625,294</u>	<u>\$ 25,502,548</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,064
2,000,000	-	-	-	-	-	2,113,965
<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,485,029</u>
3,770,737	-	-	-	-	-	7,623,119
-	3,946,645	3,815,279	1,999,044	2,110,608	625,294	15,394,400
<u>3,770,737</u>	<u>3,946,645</u>	<u>3,815,279</u>	<u>1,999,044</u>	<u>2,110,608</u>	<u>625,294</u>	<u>23,017,519</u>
<u>\$ 5,770,737</u>	<u>\$ 3,946,645</u>	<u>\$ 3,815,279</u>	<u>\$ 1,999,044</u>	<u>\$ 2,110,608</u>	<u>\$ 625,294</u>	<u>\$ 25,502,548</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Deferred Maintenance Fund	Building Fund
REVENUES			
Federal sources	\$ 81,663	\$ -	\$ -
Other State sources	-	297,397	-
Other local sources	-	141	26,799
Total Revenues	81,663	297,538	26,799
EXPENDITURES			
Current			
Instruction	81,663	-	-
Plant services	-	-	5,776
Facility acquisition and construction	-	-	1,598,116
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	81,663	-	1,603,892
Excess (Deficiency) of Revenues			
Over Expenditures	-	297,538	(1,577,093)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(323,234)	(2,000,000)
Net Financing Sources (Uses)	-	(323,234)	(2,000,000)
NET CHANGE IN FUND BALANCES	-	(25,696)	(3,577,093)
Fund Balances - Beginning	-	25,696	6,474,623
Fund Balances - Ending	\$ -	\$ -	\$ 2,897,530

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	QZAB Fund	Corporation Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
476,823	225,000	-	53,653	-	-
152,963	2,729	3,470,893	3,457,859	159,238	802,451
629,786	227,729	3,470,893	3,511,512	159,238	802,451
-	-	-	-	-	-
37,612	1,825	4,887,093	-	-	-
2,469,786	865,129	2,000,000	-	-	-
-	-	-	-	-	-
-	-	-	1,455,000	-	-
-	-	-	1,964,631	-	83,581
2,507,398	866,954	6,887,093	3,419,631	-	83,581
(1,877,612)	(639,225)	(3,416,200)	91,881	159,238	718,870
-	-	-	-	-	2,100,000
-	(5,045,713)	(100,000)	-	-	(1,419,348)
-	(5,045,713)	(100,000)	-	-	680,652
(1,877,612)	(5,684,938)	(3,516,200)	91,881	159,238	1,399,522
5,728,928	5,686,004	7,286,937	3,854,764	3,656,041	599,522
\$ 3,851,316	\$ 1,066	\$ 3,770,737	\$ 3,946,645	\$ 3,815,279	\$ 1,999,044

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

	2003 COP Debt Service Fund	2007 COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ 81,663
Other State sources	-	-	1,052,873
Other local sources	-	-	8,073,073
Total Revenues	-	-	9,207,609
EXPENDITURES			
Current			
Instruction	-	-	81,663
Plant services	-	-	4,932,306
Facility acquisition and construction	-	-	6,933,031
Other outgo	-	-	-
Debt service			
Principal	630,000	265,000	2,350,000
Interest and other	98,274	350,594	2,497,080
Total Expenditures	728,274	615,594	16,794,080
Excess (Deficiency) of Revenues Over Expenditures	(728,274)	(615,594)	(7,586,471)
OTHER FINANCING SOURCES (USES)			
Transfers in	803,754	615,594	3,519,348
Transfers out	-	-	(8,888,295)
Net Financing Sources (Uses)	803,754	615,594	(5,368,947)
NET CHANGE IN FUND BALANCES	75,480	-	(12,955,418)
Fund Balances - Beginning	2,035,128	625,294	35,972,937
Fund Balances - Ending	\$ 2,110,608	\$ 625,294	\$ 23,017,519

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the ARRA - State Fiscal Stabilization Fund that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 9,232,969
ARRA - State Fiscal Stabilization Fund	84.394	1,029,159
Medi-Cal Billing Option	93.778	8,044
Medi-Cal Administrative Activities	93.778	4,292
Total Schedule of Expenditures of Federal Awards		<u>\$ 10,274,464</u>

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 (ADA) is a measurement of the number of pupils attending classes of 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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***

Governing Board
Perris Union High School District
Perris, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District as of and for the year ended June 30, 2011, which collectively comprise Perris Union High School District's basic financial statements and have issued our report thereon dated November 29, 2011. 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.

Internal Control Over Financial Reporting

The management of Perris Union High School District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Perris Union High School District's internal control over financial reporting as a basis for designing our auditing procedures 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 Perris Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Perris Union High School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perris Union High 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*.

We noted certain matters that we reported to management of Perris Union High School District in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Perris Union High School District
Perris, California

Compliance

We have audited Perris Union High School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's major Federal programs for the year ended June 30, 2011. Perris Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Perris Union High School District's management. Our responsibility is to express an opinion on Perris Union High School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major Federal program occurred. An audit includes examining, on a test basis, evidence about Perris Union High 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. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Perris Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Perris Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Perris Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Perris Union High School District
Perris, California

We have audited Perris Union High School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Perris Union High School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Perris Union High School District's management. Our responsibility is to express an opinion on Perris Union High School District's compliance based on our audit.

We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High 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 opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Perris Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not applicable
Option one classes	3	Not applicable
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Non classroom-based instruction/independent study	15	No, see below
Determination of funding for non classroom-based instruction	3	No, see below
Annual instruction minutes classroom based	3	Yes

We did not perform testing for Non-Classroom Based Instruction/Independent Study, and determination of funding for Non-Classroom Based Instruction due to the online interactive nature of the program and the lack of Independent Study accounting records.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 29, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394 ARRA</u>	<u>ARRA - State Fiscal Stabilization Funds</u>
<u>84.410</u>	<u>Education Job Funds</u>
<u>84.027 and 84.391 ARRA</u>	<u>IDEA: Special Education Cluster</u>
<u>93.778</u>	<u>Medi-Cal Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 308,234</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>
Unqualified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Choice 2000 Charter School Attendance</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

2011-1 40000

CHOICE 2000 ONLINE HIGH SCHOOL

Finding

The California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a Non-Classroom Based Charter Program utilize Independent Study attendance accounting procedures.

Questioned Costs

Independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 182.13 ADA reported by the school for 2010-2011 should be considered non-allowable for funding purposes. Per the certified June 15, 2011, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,112,999 at \$5,306 x 8 ADA for grades 7 and 8, and \$6,148 x 174.13 ADA for grades 9 through 12, and the Categorical per ADA Block Grant Funding was \$75,070, at \$500 per ADA, adjusted by the State proration factor.

Context

The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.

Effect

Due to the application of regular seat time attendance procedures instead of independent study attendance accounting, Choice 2000 Online High School is not in compliance with referenced guidelines.

Cause

Choice 2000 Online Charter, a non-classroom based charter school has been in operation since 1994. The school has been utilizing contemporaneous attendance records and a course bell schedule, similar to that of a classroom based high school.

PERRIS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

The California Code of Regulation, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a non-classroom based charter program utilize independent study attendance accounting procedures. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with the California Education Code.

District Response

The District will continue to work with legal counsel through the appeals process. The District believes Choice 2000 complied with all legal requirements governing the educational program being provided at Choice 2000, and therefore, believes ADA should be allowable for funding purposes. Choice 2000 has acted in good faith at all times to comply with the conditions established in law or regulation necessary for apportionment of funding.

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Five Digit Code
40000

AB 3627 Finding Type
State Compliance

2010-1 40000

CHOICE 2000 ONLINE HIGH SCHOOL

Finding

The California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a non-classroom based charter program utilize independent study attendance accounting procedures.

Questioned Costs

Independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 218.23 ADA reported by the school for 2009-2010 should be considered non-allowable for funding purposes. Per the certified June 22, 2010, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,337,750 at \$6,130 per ADA, and the Categorical per ADA Block Grant Funding was \$109,115, at \$500 per ADA.

Context

The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.

Effect

Due to the application of regular seat time attendance procedures instead of independent study attendance accounting, Choice 2000 Online High School is not in compliance with referenced guidelines.

Cause

Choice 2000 Online Charter, a non-classroom based charter school has been in operation since 1994. The school has been utilizing contemporaneous attendance records and a course bell schedule, similar to that of a classroom based high school.

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

The California Code of Regulation, Title 5, pursuant to Section 47612.5 of the California *Education Code* and in compliance with Article 5.5 Section 51745 through 51749.3 of the California *Education Code* requires that a non-classroom based charter program utilize independent study attendance accounting procedures. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with the California Education Code.

Current Status

Not implemented. See current year 2011-1.



Governing Board
Perris Union High School District
Perris, California

In planning and performing our audit of the financial statements of Perris Union High School District (the District), for the year ended June 30, 2011, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated November 29, 2011, on the government-wide financial statements of Perris Union High School District.

The following is the current status of prior year 2009-2010 comments:

ASSOCIATED STUDENT BODY (ASB)

Perris High School

Observation

Bank reconciliations are not being prepared for bank statements received.

Recommendation

The purpose of performing the monthly reconciliation is to ensure that no errors have occurred in the banks' posting of transactions and that the agency and trust balances, and monthly activity is accurately reported.

Current Status

Implemented.

Observation

In reviewing the financial statements for the student body accounts we noted negative balances. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each groups best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups account.

Current Status

Implemented.

Observation

The revenue potential forms are incomplete. The front page of the packet is an approval form for the fund raiser; this is regularly completed. The second page is the actual revenue potential form and in reviewing these, we found that the majority of them are not completed or are completed incorrectly.

Recommendation

Revenue earned in the Student Body Fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the revenue potential form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Current Status

Implemented.

Heritage High School

Observation

Tickets are not adequately safeguarded and no ticket control log is maintained. Ticket tally forms are not properly completed.

Recommendation

Because tickets are sold and have a cash value, they should be appropriately safeguarded and a record kept to prevent theft or manipulation.

Current Status

Implemented.

Observation

In reviewing the financial statements for the student body accounts we noted negative balances. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each groups best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups account.

Current Status

Not Implemented.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
November 29, 2011