



**PERRIS UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

PERRIS UNION HIGH SCHOOL DISTRICT
OF RIVERSIDE COUNTY
PERRIS, CALIFORNIA
JUNE 30, 2009

GOVERNING BOARD

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Carolyn A. Twyman	Vice President	2009
Randy J. Williams	Clerk	2011
William F. Hulstrom	Member	2009
Eric F. Kroencke	Member	2011

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

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, 2009, 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 2008-2009*, 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, 2009, and the respective changes in financial position and cash flows, where applicable, 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 GASB Statement No. 45 for the year ended June 30, 2009.

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 December 14, 2009, 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 53, is not a required part of the basic financial statements, but is 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.

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*, and the Combining Statements – Non-Major Governmental Funds, 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.

Varrink, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009



Perris Union High School District

"Growing Together Through Education"

District Superintendent
Jonathan L. Greenberg, Ed. D.

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This section of Perris Union High School District's (the District) (2008-2009) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009, with comparative information from 2008. 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 statement 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.

Board of Trustees

Eric J. Kroencke

Joan D. Cooley

William F. Hulstrom

Carolyn A. Twyman

Randy J. Williams

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District continued to maintain a strong financial position exceeding required State reserves by one percent while maintaining strong educational programs for the students served by the District. The strength of our position is due for the most part to the continued increase in student enrollment as well as the District's fiscally conservative position. 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:

- Heritage High School opened its doors to 11th graders in the fall of 2008.
- Perris High School's stadium project, funded by Measures "T" and "Z" Bonds, was completed and re-dedicated in September 2008.
- Paloma Valley High School's shade and lunch shelter project was completed and dedicated in May 2009.
- The repainting of Paloma Valley High School and California Military Academy began in June 2009.
- Perris High School HVAC and Roofing Projects were completed in June 2009.
- The District opened escrow for the purchase of land in Menifee for the fourth High School in July 2009.

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.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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, 2009

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$163,280,850 for the fiscal year ended June 30, 2009. Of this amount, \$4,537,885 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	
	2009	2008
Assets		
Current and other assets	\$ 72,447,486	\$ 76,616,448
Capital assets	200,021,873	200,089,676
Total Assets	<u>272,469,359</u>	<u>276,706,124</u>
Liabilities		
Current liabilities	7,865,960	10,923,274
Long-term obligations (includes current portion)	101,322,549	102,811,767
Total Liabilities	<u>109,188,509</u>	<u>113,735,041</u>
Net Assets		
Invested in capital assets, net of related debt	113,055,161	112,113,729
Restricted	45,687,804	48,992,834
Unrestricted	4,537,885	1,864,520
Total Net Assets	<u><u>\$ 163,280,850</u></u>	<u><u>\$ 162,971,083</u></u>

The \$4,537,885 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, 2009

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	
		2009	2008
Revenues			
Program revenues:			
Charges for services		\$ 212,507	\$ 319,593
Operating grants and contributions		14,374,205	17,380,982
Capital grants and contributions		250,671	2,433,191
General revenues:			
State revenue limit sources		37,273,804	34,547,696
Property taxes		36,865,288	35,308,664
Other general revenues		5,319,057	5,380,487
Total Revenues		94,295,532	95,370,613
Expenses			
Instruction		51,918,163	48,003,975
Instruction-related		11,125,949	11,000,684
Student support services		8,543,263	8,488,400
Administration		6,107,106	5,863,737
Maintenance and operations		9,950,142	10,291,671
Other		6,341,142	9,087,065
Total Expenses		93,985,765	92,735,532
Change in Net Assets		\$ 309,767	\$ 2,635,081

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$93,985,765. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$36,865,288 because the cost was paid by those who benefited from the programs (\$212,507) or by other governments and organizations who subsidized certain programs with grants and contributions (\$14,624,876). We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

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	
	2009	2008	2009	2008
Instruction and instruction-related	\$ 63,044,112	\$ 59,004,659	\$ 50,697,565	\$ 44,775,393
Pupil services	8,543,263	8,488,400	6,843,424	6,143,174
Administration	6,107,106	5,863,737	5,578,166	5,232,947
Maintenance and operations	9,950,142	10,291,671	9,941,698	8,438,531
Other outgo	6,341,142	9,087,065	6,087,529	8,011,721
Total	\$ 93,985,765	\$ 92,735,532	\$ 79,148,382	\$ 72,601,766

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$64,276,646, which is a decrease of \$1,060,878 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2008	Revenues	Expenditures	June 30, 2009
General Fund	\$ 14,571,341	\$ 81,186,051	\$ 80,347,725	\$ 15,409,667
Charter School Fund	1,158,883	3,922,822	3,955,182	1,126,523
Building Fund	10,603,725	250,821	2,372,638	8,481,908
Capital Facilities Fund	10,881,157	1,237,893	2,575,834	9,543,216
Non-Major Governmental Funds	28,122,418	15,572,286	13,979,372	29,715,332
Total	\$ 65,337,524	\$ 102,169,873	\$ 103,230,751	\$ 64,276,646

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 \$838,326. The net increase is primarily due to the receipt of one-time revenues from the American Recovery and Reinvestment Act to help offset the Revenue Limit deficits and the shift of categorical revenues from 2008-2009 to 2009-2010.
2. The Charter School Fund balance decreased by \$32,360 due to an increase of expenditures.
3. The Building, Capital Facilities, County School Facilities and Capital Project Funds decreased \$1,866,844 collectively due primarily to the completion of Modernization projects at Perris High School and new projects at Paloma Valley High School.

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.

- Significant revenue revisions made to the 2008-2009 adopted budget were attributable to a combination of increased Revenue Limit funding, new one-time Federal awards and a funding modification for State restricted fund revenues.
- Budgeted expenditures decreased due to a mid-year reduction of site and department budgets and professional consulting services.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had \$200,021,873 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$67,803, or .03 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2009	2008
Land and construction in progress	\$ 3,561,470	\$ 4,132,530
Buildings and improvements	190,164,785	189,151,318
Furniture and equipment	6,295,618	6,805,828
Total	\$ 200,021,873	\$ 200,089,676

This year's increase of \$1 million in Buildings and Improvements is primarily a result of the completion of several projects and their reclassification from construction in progress such as the Perris High School HVAC and Roofing project and the Paloma Valley High School Shade/Lunch structure. In addition, the \$510,210 decrease in Furniture and equipment is due to depreciation expense being higher in 2008-2009 than actual purchases incurred, thus reducing the book value of the existing assets. The overall total asset amount includes \$5.9 million in current year depreciation expense for the 2008-2009 fiscal year.

Long-Term Obligations

At the end of this year, the District had \$101,322,549 in long-term obligations outstanding versus \$102,811,767 last year, a decrease of 1.5 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 62,641,645	\$ 62,682,531
Certificates of participation	28,480,000	29,400,000
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	4,682,009	5,238,519
Other	518,895	490,717
Total	\$ 101,322,549	\$ 102,811,767

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.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-2009 ARE NOTED BELOW:

Accomplishments to support student learning during the 2008-2009 school year included staff development activities for over 300 teachers, administrators and support staff, adoption of new English Language Arts and math textbooks for all students, standards based curriculum development in all core academic classes, and a continued increase in technology for student use. During the summer of 2009, the District implemented a state-of-the-art web-based student information system that will allow staff, parents, and students to access grades and other pertinent information from home allowing increased communication between home and school.

The District's State Academic Performance Index (API) and Federal Adequate Yearly Progress (AYP) scores have continually increased over past years and this trend continued into 2008-2009. Though the District had been making significant progress each year, students in two identified subgroups were unable to meet Federal standards and in 2006, the District was consequently identified as a Program Improvement (PI) District.

In response to identification as a PI District, the District took a number of steps to identify the reason it did not meet District goals for AYP and as a result contracted with a State approved District Assistance Intervention Team (DAIT) to implement a plan to address teaching and learning needs of the District. The District provided training for staff to implement an efficient system to assist schools in reallocating their fiscal resources to support student achievement and to examine District budgets for optimal support in implementing the "Nine Essential Program Components" (NEPCs). The District also continued its efforts to ensure alignment of expenditures and purchases toward achievement of the NEPCs through review of the professional development plans and purchase orders.

As a result of Program Improvement, the 2008-2009 budget was built around the fundamental element of exiting the District from this status. This plan included reallocating resources and prioritizing goals to build a budget centered around the NEPCs. Included in this reallocation was a significant increase in funds to support professional development activities for teachers and administrators.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-2010 year, the governing board and management used the following criteria at adoption:

1. District enrollment, including Charter schools, is projected to be 10,413. This represented an increase of 3.07 percent District-wide which, in comparison with past years, is a decrease in the District's growth rate. Overall district Average Daily Attendance (ADA); including Charters is projected to be 9,617. This represents an increase of 291 or 3.12 percent.
2. Lottery funding for 2009-2010 is projected to be \$121 per prior-year annual ADA. This per-pupil rate reflects \$109.50 per pupil for unrestricted lottery revenues and \$11.50 per pupil for lottery funding restricted to the purchase of instructional materials.
3. Base Revenue Limit was calculated at \$6,013.65 per ADA including a statutory Cost of Living Adjustment (COLA) of 4.25 percent paired with a deficit factor of 17.967 percent.
4. The District reserve for economic uncertainty is maintained at four percent which is one percent higher than the required reserve of three percent.
5. With the uncertainty of the State budget and the Governor's anticipated cuts proposed to schools, in an effort to continue a fiscally conservative approach, the District moved forward in implementing 2009-2010 budget reductions that were recommended by the Budget Advisory Committee to 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, 2009

	Governmental Activities
ASSETS	
Deposits and investments	\$ 62,901,464
Receivables	8,561,137
Prepaid expenditures	2,815
Deferred charges	982,070
Capital assets	
Land and construction in process	3,561,470
Other capital assets	237,219,973
Accumulated depreciation	(40,759,570)
Total Capital Assets	<u>200,021,873</u>
Total Assets	<u>272,469,359</u>
LIABILITIES	
Accounts payable	6,437,904
Interest payable	677,190
Deferred revenue	750,866
Long-term obligations	
Current portion of long-term obligations	2,622,797
Noncurrent portion of long-term obligations	98,699,752
Total Long-Term Obligations	<u>101,322,549</u>
Total Liabilities	<u>109,188,509</u>
NET ASSETS	
Invested in capital assets, net of related debt	113,055,161
Restricted for:	
Debt service	8,803,192
Capital projects	27,506,385
Educational programs	7,850,373
Other activities	1,527,854
Unrestricted	4,537,885
Total Net Assets	<u><u>\$ 163,280,850</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, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 51,918,163	\$ -	\$ 10,775,988	\$ 250,671	\$ (40,891,504)
Instruction-related activities:					
Supervision of instruction	2,365,447	-	1,134,942	-	(1,230,505)
Instructional library, media and technology	658,993	-	-	-	(658,993)
School site administration	8,101,509	-	184,946	-	(7,916,563)
Pupil services:					
Home-to-school transportation	3,919,465	212,082	864,203	-	(2,843,180)
All other pupil services	4,623,798	-	623,554	-	(4,000,244)
Administration:					
Data processing	1,093,216	-	13,725	-	(1,079,491)
All other administration	5,013,890	425	514,790	-	(4,498,675)
Plant services	9,950,142	-	8,444	-	(9,941,698)
Ancillary services	1,859,181	-	158	-	(1,859,023)
Community services	1,723	-	-	-	(1,723)
Interest on long-term obligations	4,228,422	-	-	-	(4,228,422)
Other outgo	251,816	-	253,455	-	1,639
Total Governmental Activities	\$ 93,985,765	\$ 212,507	\$ 14,374,205	\$ 250,671	(79,148,382)
General revenues and subventions:					
Property taxes, levied for general purposes					30,365,441
Property taxes, levied for debt service					3,017,839
Taxes levied for other specific purposes					3,482,008
Federal and State aid not restricted to specific purposes					37,273,804
Interest and investment earnings					1,097,974
Miscellaneous					4,221,083
Subtotal, General Revenues					79,458,149
Change in Net Assets					309,767
Net Assets - Beginning					162,971,083
Net Assets - Ending					\$163,280,850

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2009

	General Fund	Charter School Fund	Building Fund
ASSETS			
Deposits and investments	\$ 13,543,119	\$ 1,295,234	\$ 8,549,800
Receivables	8,105,311	299,487	33,149
Due from other funds	914,103	165,345	-
Prepaid expenditures	2,815	-	-
Total Assets	\$ 22,565,348	\$ 1,760,066	\$ 8,582,949
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,646,609	\$ 238,575	\$ 97,163
Due to other funds	758,206	394,968	3,878
Deferred revenue	750,866	-	-
Total Liabilities	7,155,681	633,543	101,041
Fund Balances:			
Reserved for:			
Revolving cash	25,000	-	-
Prepaid expenditures	2,815	-	-
Legally restricted balances	7,643,364	183,861	-
Unreserved:			
Designated	7,738,488	942,662	8,481,908
Undesignated, reported in:			
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balance	15,409,667	1,126,523	8,481,908
Total Liabilities and Fund Balances	\$ 22,565,348	\$ 1,760,066	\$ 8,582,949

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 9,695,278	\$ 29,818,033	\$ 62,901,464
36,425	86,765	8,561,137
202	727,170	1,806,820
-	-	2,815
<u>\$ 9,731,905</u>	<u>\$ 30,631,968</u>	<u>\$ 73,272,236</u>
\$ 54,380	\$ 401,177	\$ 6,437,904
134,309	515,459	1,806,820
-	-	750,866
<u>188,689</u>	<u>916,636</u>	<u>8,995,590</u>
-	-	25,000
-	-	2,815
-	-	7,827,225
9,543,216	18,616,253	45,322,527
-	11,099,079	11,099,079
-	-	-
<u>9,543,216</u>	<u>29,715,332</u>	<u>64,276,646</u>
<u>\$ 9,731,905</u>	<u>\$ 30,631,968</u>	<u>\$ 73,272,236</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2009

Total Fund Balance - Governmental Funds		\$ 64,276,646
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:	\$ 240,781,443	
Accumulated depreciation is:	<u>(40,759,570)</u>	
Net Capital Assets		200,021,873
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		982,070
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.		(677,190)
Long-term obligations at year-end consist of:		
General Obligation Bonds	62,641,645	
Certificates of Participation	28,480,000	
QZAB Lease Purchase Agreement	5,000,000	
Capital Leases	4,682,009	
Accumulated Vacation	369,069	
PARS Retirement	<u>149,826</u>	
Total Long-Term Obligations		<u>(101,322,549)</u>
Total Net Assets - Governmental Activities		<u><u>\$163,280,850</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 BALANCE FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Charter School Fund	Building Fund
REVENUES			
Revenue limit sources	\$ 57,952,716	\$ 3,375,214	\$ -
Federal sources	7,622,723	205,075	-
Other State sources	7,515,302	311,817	-
Other local sources	7,491,438	30,716	250,821
Total Revenues	80,582,179	3,922,822	250,821
EXPENDITURES			
Current			
Instruction	43,934,649	2,220,336	-
Instruction-related activities:			
Supervision of instruction	2,360,642	-	-
Instructional library, media, and technology	658,308	-	-
School site administration	6,973,950	854,356	-
Pupil services:			
Home-to-school transportation	3,918,687	-	-
All other pupil services	4,547,884	71,981	-
Administration:			
Data processing	1,089,488	-	-
All other administration	4,494,736	226,021	-
Plant services	9,072,518	383,051	-
Facility acquisition and construction	212,131	43,847	1,734,265
Ancillary services	1,741,032	123,097	-
Community services	1,723	-	-
Other outgo	9,811	-	-
Debt service			
Principal	619,647	-	-
Interest and other	-	-	-
Total Expenditures	79,635,206	3,922,689	1,734,265
Excess (Deficiency) of Revenues Over Expenditures	946,973	133	(1,483,444)
Other Financing Sources (Uses)			
Transfers in	98,241	-	-
Other sources	505,631	-	-
Transfers out	(712,519)	(32,493)	(638,373)
Net Financing Sources (Uses)	(108,647)	(32,493)	(638,373)
NET CHANGE IN FUND BALANCES	838,326	(32,360)	(2,121,817)
Fund Balance - Beginning	14,571,341	1,158,883	10,603,725
Fund Balance - Ending	\$ 15,409,667	\$ 1,126,523	\$ 8,481,908

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 61,327,930
-	76,410	7,904,208
-	937,190	8,764,309
1,237,893	7,288,217	16,299,085
<u>1,237,893</u>	<u>8,301,817</u>	<u>94,295,532</u>
-	223,022	46,378,007
-	-	2,360,642
-	-	658,308
-	246,970	8,075,276
-	-	3,918,687
-	-	4,619,865
-	-	1,089,488
310,274	20,229	5,051,260
24,441	437,529	9,917,539
282,111	3,202,268	5,474,622
-	-	1,864,129
-	-	1,723
-	242,005	251,816
-	1,960,000	2,579,647
-	3,115,401	3,115,401
<u>616,826</u>	<u>9,447,424</u>	<u>95,356,410</u>
<u>621,067</u>	<u>(1,145,607)</u>	<u>(1,060,878)</u>
-	7,270,469	7,368,710
-	(505,631)	-
(1,959,008)	(4,026,317)	(7,368,710)
<u>(1,959,008)</u>	<u>2,738,521</u>	<u>-</u>
(1,337,941)	1,592,914	(1,060,878)
10,881,157	28,122,418	65,337,524
<u>\$ 9,543,216</u>	<u>\$ 29,715,332</u>	<u>\$ 64,276,646</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds \$ (1,060,878)

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 depreciation exceeds outlays in the period.

Depreciation expense	\$ (5,913,548)	
Capital outlays	<u>5,845,745</u>	
Net Expense Adjustment		(67,803)

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 more than the amounts used by \$103,091 and supplementary retirement earned was less than the amounts used by \$74,913. (28,178)

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:

Issuance costs amortized for the period	(62,703)
---	----------

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	1,040,000
Certificates of participation	920,000
Capital lease obligations	556,510

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 \$11,933, and second, \$999,114 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

\$ (987,181)

Change in Net Assets of Governmental Activities

<u>\$ 309,767</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, 2009

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 504,379
Receivables	4,160
Total Assets	<u><u>\$ 508,539</u></u>
 LIABILITIES	
Due to student groups	<u><u>\$ 508,539</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 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, 2009

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 the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this 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.

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.

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 used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue 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.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

Capital Projects Funds The Capital Projects funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects fund:

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains the following debt service funds:

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, 2009

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, 2009

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, 2009

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, 2009, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Corporation Debt Service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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 Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the Governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties and other purposes.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$45,687,804 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.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Changes in Accounting Principles

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement on or before fiscal year ended June 30, 2009.

New Accounting Pronouncements

In March 2009, the GASB issued GASB 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 requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 62,901,464
Fiduciary funds	504,379
Total Deposits and Investments	<u>\$ 63,405,843</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 6,497,857
Cash in revolving	25,000
Investments	56,882,986
Total Deposits and Investments	<u>\$ 63,405,843</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, 2009

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
Money Market Mutual Funds	\$ 7,097,139	1
County Pool	50,004,905	387
Total	<u>\$ 57,102,044</u>	

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009	Fair Value
Money Market Mutual Funds	Not Required	Not Rated	\$ 7,097,139
County Pool	Not Required	AAA/V1+	50,004,905
Total Investments			<u>\$ 57,102,044</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, 2009, the District's bank balance of \$370,256 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, 2009

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund
Federal Government			
Categorical aid	\$ 2,536,327	\$ -	\$ -
State Government			
Apportionment	2,866,924	223,175	-
Categorical aid	(137,268)	43,439	-
Lottery	563,251	28,825	-
Local Government			
Interest	69,963	3,103	33,149
Other Local Sources	2,206,114	945	-
Total	<u>\$ 8,105,311</u>	<u>\$ 299,487</u>	<u>\$ 33,149</u>

	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government			
Categorical aid	\$ -	\$ 38,205	\$ 2,574,532
State Government			
Apportionment	-	-	3,090,099
Categorical aid	-	-	(93,829)
Lottery	-	-	592,076
Local Government			
Interest	36,425	48,560	191,200
Other Local Sources	-	-	2,207,059
Total	<u>\$ 36,425</u>	<u>\$ 86,765</u>	<u>\$ 8,561,137</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,515,140	\$ -	\$ -	\$ 3,515,140
Construction in Progress	617,390	4,630,746	5,201,806	46,330
Total Capital Assets Not Being Depreciated	4,132,530	4,630,746	5,201,806	3,561,470
Capital Assets Being Depreciated:				
Land Improvements	13,717,010	834,453	-	14,551,463
Buildings	209,140,199	5,201,806	-	214,342,005
Equipment	7,951,159	380,546	5,200	8,326,505
Total Capital Assets Being Depreciated	230,808,368	6,416,805	5,200	237,219,973
Total Capital Assets	234,940,898	11,047,551	5,207,006	240,781,443
Less Accumulated Depreciation:				
Land Improvements	7,084,820	597,189	-	7,682,009
Buildings	26,621,071	4,425,603	-	31,046,674
Equipment	1,145,331	890,756	5,200	2,030,887
Total Accumulated Depreciation	34,851,222	5,913,548	5,200	40,759,570
Governmental Activities Capital Assets, Net	<u>\$200,089,676</u>	<u>\$ 5,134,003</u>	<u>\$ 5,201,806</u>	<u>\$200,021,873</u>

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

Governmental Activities	
Instruction	\$ 5,554,795
School site administration	5,228
Data processing	119,083
All other administration	18,304
Plant services	216,138
Total Depreciation Expenses All Activities	<u>\$ 5,913,548</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, between major and non-major governmental funds are as follows:

Due To	Due From		
	General Fund	Charter School Fund	Building Fund
General Fund	\$ -	\$ 394,968	\$ 3,878
Charter School Fund	165,345	-	-
Capital Facilities Fund	-	-	-
Non-Major Governmental Funds	592,861	-	-
Total	<u>\$ 758,206</u>	<u>\$ 394,968</u>	<u>\$ 3,878</u>

Due To	Due From		
	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 515,257	\$ 914,103
Charter School Fund	-	-	165,345
Capital Facilities Fund	-	202	202
Non-Major Governmental Funds	134,309	-	727,170
Total	<u>\$ 134,309</u>	<u>\$ 515,459</u>	<u>\$ 1,806,820</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 32,493	\$ -	\$ -	\$ 65,748	\$ 98,241
Non-Major Governmental Funds	712,519	-	638,373	1,959,008	3,960,569	7,270,469
Total	<u>\$ 712,519</u>	<u>\$ 32,493</u>	<u>\$ 638,373</u>	<u>\$ 1,959,008</u>	<u>\$ 4,026,317</u>	<u>\$ 7,368,710</u>

The General Fund transferred to the Adult Education Fund to reverse overestimated flexibility transfer.	\$ 167,015
The General Fund transferred to the Deferred Maintenance Fund to make deferred maintenance match.	469,054
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects to reimburse Williams costs incurred.	76,450
The Charter School Fund transferred to the General Fund for flexibility transfers.	32,493
The Adult Education Fund transferred to the General Fund for sweep of beginning balance.	65,748
The Capital Projects Fund for Blended Component Units transferred to the COP Debt Service Fund for debt service payments.	1,950,000
The Capital Facilities Fund transferred to the 2003 COP Debt Service Fund to establish a new Debt Service Fund.	1,959,008
The Building Fund transferred to the 2007 COP Debt Service Fund to establish a new Debt Service Fund.	638,373
The COP Debt Service Fund transferred to the 2003 COP Debt Service Fund for COP payments.	1,351,004
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Fund for debt service payments.	659,565
Total	<u>\$ 7,368,710</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
Vendor payables	\$ 1,977,913	\$ 170,130	\$ 2,016	\$ 54,080
State apportionment	3,299,198	67,038	-	-
Salaries and benefits	362,852	1,407	-	-
Construction	6,646	-	95,147	300
Total	<u>\$ 5,646,609</u>	<u>\$ 238,575</u>	<u>\$ 97,163</u>	<u>\$ 54,380</u>

	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 263,786	\$ 2,467,925
State apportionment	-	3,366,236
Salaries and benefits	7,584	371,843
Construction	129,807	231,900
Total	<u>\$ 401,177</u>	<u>\$ 6,437,904</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 666,558
State categorical aid	84,308
Total	<u>\$ 750,866</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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, 2008	Additions and Adjustments	Deductions	Balance June 30, 2009	Due in One Year
General Obligation Bonds	\$ 62,682,531	\$ 999,114	\$ 1,040,000	\$ 62,641,645	\$ 1,240,000
Certificates of Participation	29,400,000	-	920,000	28,480,000	860,000
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	5,238,519	-	556,510	4,682,009	447,884
Accumulated Vacation	265,978	103,091	-	369,069	-
PARS Retirement	224,739	-	74,913	149,826	74,913
OPEB Obligation	-	50,841	50,841	-	-
	<u>\$ 102,811,767</u>	<u>\$ 1,153,046</u>	<u>\$ 2,642,264</u>	<u>\$ 101,322,549</u>	<u>\$ 2,622,797</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 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.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2009
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 4,482,856	\$ -	\$ 312,074	\$ -	\$ 4,794,930
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	6,101,778	-	334,858	-	6,436,636
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	6,080,000	-	-	705,000	5,375,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	39,026,808	-	328,100	120,000	39,234,908
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	6,991,089	-	24,082	215,000	6,800,171
				<u>\$62,682,531</u>	<u>\$ -</u>	<u>\$ 999,114</u>	<u>\$ 1,040,000</u>	<u>\$62,641,645</u>

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, 2009, the principal balance outstanding was \$4,794,930.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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, 2009, the principal balance outstanding was \$6,436,636.

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, 2009, the principal balance outstanding was \$5,375,000.

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, 2009, the principal balance outstanding was \$39,234,908.

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, 2009, the principal balance outstanding was \$6,800,171.

Debt Service Requirements to Maturity

The bonds mature through 2034 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Accreted Value Payment</u>	<u>Total</u>
2010	\$ 1,240,000	\$ 2,010,420	\$ 3,250,420
2011	1,455,000	1,964,632	3,419,632
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
2015-2019	12,111,592	11,196,883	23,308,475
2020-2024	17,476,501	11,822,427	29,298,928
2025-2029	17,002,495	13,254,832	30,257,327
2030-2034	2,271,671	3,899,926	6,171,597
Subtotal	57,412,259	49,653,421	107,065,680
Accreted Interest	5,229,386	(5,229,386)	-
Total	<u>\$ 62,641,645</u>	<u>\$ 44,424,035</u>	<u>\$107,065,680</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, the floating rate of interest was 3.920 percent. The outstanding principal balance at June 30, 2009, is \$19,710,000.

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 6 percent per annum. The outstanding principal balance at June 30, 2009, is \$8,770,000.

Payments are required as follows:

Year Ending June 30,	2003 COP			2007 COP		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 605,000	\$ 193,158	\$ 798,158	\$ 255,000	\$ 360,994	\$ 615,994
2011	630,000	187,229	817,229	265,000	350,594	615,594
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
2015-2019	3,275,000	749,210	4,024,210	1,670,000	1,391,469	3,061,469
2020-2024	3,790,000	578,886	4,368,886	2,050,000	1,020,791	3,070,791
2025-2029	4,395,000	381,612	4,776,612	2,500,000	547,781	3,047,781
2030-2034	5,100,000	152,880	5,252,880	1,165,000	52,988	1,217,988
Total	<u>\$ 19,710,000</u>	<u>\$ 2,766,932</u>	<u>\$ 22,476,932</u>	<u>\$ 8,770,000</u>	<u>\$ 4,709,399</u>	<u>\$ 13,479,399</u>

Year Ending June 30,	Total	
	Principal	Interest
2010	\$ 860,000	\$ 554,152
2011	895,000	537,823
2012	925,000	520,749
2013	955,000	503,128
2014	900,000	484,862
2015-2019	4,945,000	2,140,679
2020-2024	5,840,000	1,599,677
2025-2029	6,895,000	929,393
2030-2034	6,265,000	205,868
Total	<u>\$ 28,480,000</u>	<u>\$ 7,476,331</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, US Bank held \$4,433,669 for the lease payment.

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, 2008	\$ 6,211,183
Additions	-
Payments	621,118
Balance, June 30, 2009	<u>\$ 5,590,065</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2010	\$ 621,118
2011	621,118
2012	621,118
2013	621,118
2014	621,118
2015-2019	<u>2,484,475</u>
Total	5,590,065
Less: Amount Representing Interest	<u>908,056</u>
Present Value of Minimum Lease Payments	<u>\$ 4,682,009</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2009, include the following:

Equipment	\$ 5,238,519
Less: Accumulated depreciation	<u>(654,815)</u>
Total	<u>\$ 4,583,704</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, 2009

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$369,069.

PARS Retirement

The PARS retirement balance for the District at June 30, 2009, amounted to \$149,826.

Year Ending June 30,	Payment
2010	\$ 74,913
2011	74,913
Total	<u>\$ 149,826</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$50,841 and contributions made by the District during the year were \$50,841, which resulted in no OPEB obligation as of June 30, 2009. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Building Fund
Reserved			
Revolving cash	\$ 25,000	\$ -	\$ -
Stores inventories	-	-	-
Prepaid expenditures	2,815	-	-
Restricted programs	7,666,512	183,861	-
Total Reserved	7,694,327	183,861	-
Unreserved			
Designated			
Economic uncertainties	3,144,605	-	-
Other designations	4,570,735	942,662	8,481,908
Total Designated	7,715,340	942,662	8,481,908
Undesignated	-	-	-
Total Unreserved	7,715,340	942,662	8,481,908
Total	\$ 15,409,667	\$ 1,126,523	\$ 8,481,908
	Capital Facilities Fund	Non-Major Governmental Funds	Total
Reserved			
Revolving cash	\$ -	\$ -	\$ 25,000
Stores inventories	-	-	-
Prepaid expenditures	-	-	2,815
Restricted programs	-	-	7,850,373
Total Reserved	-	-	7,878,188
Unreserved			
Designated			
Economic uncertainties	-	-	3,144,605
Other designations	9,543,216	18,616,253	42,154,774
Total Designated	9,543,216	18,616,253	45,299,379
Undesignated	-	11,099,079	11,099,079
Total Unreserved	9,543,216	29,715,332	56,398,458
Total	\$ 9,543,216	\$ 29,715,332	\$ 64,276,646

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Plan Description

The Postemployment Benefit 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 2008-2009, 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
Annual OPEB cost (expense)	50,841
Contributions made	50,841
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Fiscal Year	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 50,841	100%	\$ -

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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, 2009, 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.

Workers' Compensation

For fiscal year 2009, 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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 2008-2009 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, 2009, 2008, and 2007, were \$3,137,639, \$3,008,543, and \$2,653,844, 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Funding Policy

Active plan members are required to contribute seven 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 2008-2009 was 9.428 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, 2009, 2008, and 2007, were \$1,851,468, \$1,659,892, and \$833,207, 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 \$1,757,799 (4.517 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.

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, 2009.

Litigation

The District is not currently a party to any legal proceedings.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Construction Commitments

As of June 30, 2009, 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	\$ 2,286,819	6/30/2010
Pinacate Middle School Wiring Project	29,815	12/31/2009
	<u>\$ 2,316,634</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.

During the year ended June 30, 2009, the District made payments of \$1,279,890, \$5,285,298, and \$454,038 to RSRMA, REEP, and RSIA respectively, for its workers' compensation health, 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 4 of the 2009-2010 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 16 - SUBSEQUENT EVENT

Assembly Bill of the Fourth Extraordinary Session (ABX4 3)

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-2009 and 2009-2010 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009," to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversion of the undistributed categorical program balances.

In accordance with the requirements of GASB Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

Subsequently, on November 6, 2009, the California State Controller's advisory directed affected local governments to recognize their portion of the reduced appropriation as stated in ABX4 3 above.

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 59,558,558	\$ 55,627,416	\$ 57,952,716	\$ 2,325,300
Federal sources	3,423,585	3,742,154	7,622,723	3,880,569
Other State sources	7,461,790	7,429,202	7,515,302	86,100
Other local sources	6,044,419	6,909,077	7,491,438	582,361
Total Revenues ¹	76,488,352	73,707,849	80,582,179	6,874,330
EXPENDITURES				
Current				
Instruction	44,081,228	42,538,567	43,934,649	(1,396,082)
Instruction-related activities:				
Supervision of instruction	2,367,462	2,331,357	2,360,642	(29,285)
Instructional library, media, and technology	660,210	650,141	658,308	(8,167)
School site administration	6,994,100	6,887,434	6,973,950	(86,516)
Pupil services:				
Home-to-school transportation	4,031,349	3,869,627	3,918,687	(49,060)
All other pupil services	4,678,636	4,490,947	4,547,884	(56,937)
General administration:				
Data processing	1,163,709	1,147,759	1,089,488	58,271
All other general administration	4,800,939	4,735,134	4,494,736	240,398
Plant services	9,471,561	9,000,859	9,072,518	(71,659)
Facility acquisition and construction	-	-	212,131	(212,131)
Ancillary services	1,361,152	1,648,608	1,741,032	(92,424)
Community services	-	1,559	1,723	(164)
Other outgo	633,348	642,141	9,811	632,330
Debt service				
Principal	-	-	619,647	(619,647)
Total Expenditures ¹	80,243,694	77,944,133	79,635,206	(1,691,073)
Excess (Deficiency) of Revenues Over Expenditures	(3,755,342)	(4,236,284)	946,973	5,183,257
OTHER FINANCING SOURCES (USES)				
Transfers in	-	506,966	98,241	(408,725)
Other sources	-	-	505,631	505,631
Transfers out	403,235	421,397	(712,519)	(1,133,916)
Net Financing Sources (Uses)	403,235	928,363	(108,647)	(1,037,010)
NET CHANGE IN FUND BALANCES	(3,352,107)	(3,307,921)	838,326	4,146,247
Fund Balance - Beginning	14,571,341	14,571,341	14,571,341	-
Fund Balance - Ending	\$ 11,219,234	\$ 11,263,420	\$ 15,409,667	\$ 4,146,247

¹ On behalf payments of \$1,757,799 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, 2009

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 3,189,800	\$ 3,092,777	\$ 3,375,214	\$ 282,437
Federal sources	-	-	205,075	205,075
Other State sources	363,903	370,796	311,817	(58,979)
Other local sources	26,263	23,794	30,716	6,922
Total Revenues	3,579,966	3,487,367	3,922,822	435,455
EXPENDITURES				
Current				
Instruction	2,393,240	2,173,681	2,220,336	(46,655)
Instruction-related activities:				
School site administration	663,871	851,328	854,356	(3,028)
Pupil services:				
All other pupil services	72,608	72,487	71,981	506
General administration:				
All other general administration	338,627	216,391	226,021	(9,630)
Plant services	502,414	400,885	383,051	17,834
Facility acquisition and construction	-	-	43,847	(43,847)
Ancillary services	75,026	101,027	123,097	(22,070)
Total Expenditures	4,045,786	3,815,799	3,922,689	(106,890)
Excess (Deficiency) of Revenues Over Expenditures	(465,820)	(328,432)	133	328,565
OTHER FINANCING SOURCES				
Transfers out	-	-	(32,493)	(32,493)
Net Financing Uses	-	-	(32,493)	(32,493)
NET CHANGE IN FUND BALANCES	(465,820)	(328,432)	(32,360)	296,072
Fund Balance - Beginning	1,158,883	1,158,883	1,158,883	-
Fund Balance - Ending	\$ 693,063	\$ 830,451	\$ 1,126,523	\$ 296,072

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
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	\$ -	\$ -	-

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 33,012
Adult Basic Education - Adult Secondary	84.002	13978	28,398
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	15,000
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	1,844,210
Title I, Part A - Program Improvement District Intervention	84.010	14581	45,250
Title I, Part A - Program Improvement LEA Corrective Action Resources	84.010	14956	178,236
ARRA - State Fiscal Stabilization Fund	84.394	25008	3,924,979
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	353,493
Title II, Part D- Enhancing Education Through Technology, Formula Grants	84.318	14334	16,105
Title III - Immigrant Education Program	84.365	14346	19,642
Title III - Limited English Proficiency Program	84.365	10084	128,548
Title IV, Part A - Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	36,918
Title V, Part A - Innovative Education Strategies, Formula Entitlements	84.298A	14354	9,911
Subtotal			<u>6,633,702</u>
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance, Part B	84.027	13379	933,397
Vocational Programs:			
Vocational and Applied Technology Secondary II C, Sec 131	84.048	14894	164,653
Subtotal			<u>1,098,050</u>
Total Department of Education			<u>7,731,752</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officers Training Corps	12.000	[1]	162,886
Total Department of Defense			<u>162,886</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	9,570
Total Federal Programs			<u>\$ 7,904,208</u>

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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>
Joan D. Cooley	President	2011
Carolyn A. Twyman	Vice President	2009
Randy J. Williams	Clerk	2011
William F. Hulstrom	Member	2009
Eric F. Kroencke	Member	2011

ADMINISTRATION

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Assistant Superintendent, Business Services
Steve Spraker	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, 2009

	Second Period Report	Annual Report
ELEMENTARY		
Seventh and eighth	1,257	1,256
Special education	52	52
Community day school	15	18
Total Elementary	1,324	1,326
SECONDARY		
Regular classes	6,814	6,760
Continuation education	305	289
Home and hospital	1	1
Special education	186	186
Community day school	153	151
Total Secondary	7,459	7,387
Total K-12	8,783	8,713
CLASSES FOR ADULTS		
Concurrently enrolled	1	2
Not concurrently enrolled	151	177
Total Classes for Adults	152	179
Grand Total	8,935	8,892
CHARTER SCHOOLS		
California Military Institute		
Seventh and eighth	235	232
Ninth through twelfth	147	146
Total	382	378
California Military Institute - Classroom-based		
Seventh and eighth	235	232
Ninth through twelfth	147	146
Total	382	378
Choice 2000 On-Line		
Ninth through twelfth	164	187
Choice 2000 On-Line - Classroom-based		
Ninth through twelfth	-	-
		Hours of Attendance
SUPPLEMENTAL INSTRUCTIONAL HOURS		
Elementary		21,030
High school		232,558
Charter school - California Military Institute		4,184
Total Hours		257,772

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2009

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	59,200	54,000				
Grade 7			65,280	180	N/A	Complied
Grade 8			65,280	180	N/A	Complied
Grades 9 - 12	55,332	64,800				
Grade 9			65,736	180	N/A	Complied
Grade 10			65,736	180	N/A	Complied
Grade 11			65,736	180	N/A	Complied
Grade 12			65,736	180	N/A	Complied
Grades 9 - 12 - Paloma Valley High School						
Grade 9	55,332	64,800				
Grade 10			65,696	180	N/A	Complied
Grade 11			65,696	180	N/A	Complied
Grade 12			65,696	180	N/A	Complied
			65,696	180	N/A	Complied

California Military Institute

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	59,200	54,000				
Grade 7			67,056	180	N/A	Complied
Grade 8			67,056	180	N/A	Complied
Grade 9	55,332	64,800	67,056	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, 2009

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Financial Statement	\$ 17,659,921
Decrease in:	
Accounts receivable ¹	<u>(2,250,254)</u>
Balance, June 30, 2009, Audited Financial Statement	<u><u>\$ 15,409,667</u></u>

¹ The adjustment is the ABX4 3 categorical un-appropriated State categorical as described in Note 16.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 74,148,548	\$ 80,582,179	\$ 76,818,088	\$ 74,267,924
Other sources and transfers in	1,320,697	603,872	5,376,480	-
Total Revenues and Other Sources	75,469,245	81,186,051	82,194,568	74,267,924
Expenditures	79,318,756	79,635,206	83,263,758	68,520,928
Other uses and transfers out	-	712,519	427,239	460,364
Total Expenditures and Other Uses	79,318,756	80,347,725	83,690,997	68,981,292
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,849,511)	\$ 838,326	\$ (1,496,429)	\$ 5,286,632
ENDING FUND BALANCE	\$ 11,560,156	\$ 15,409,667	\$ 14,571,341	\$ 16,067,770
AVAILABLE RESERVES ²	\$ 3,172,750	\$ 3,144,605	\$ 3,070,439	\$ 2,701,131
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.00%	4.00%	3.74%	4.00%
LONG-TERM OBLIGATIONS	N/A	\$ 101,322,549	\$ 102,811,767	\$ 95,313,577
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	8,950	8,783	8,523	8,094

The General Fund balance has decreased by \$658,103 over the past two years. The fiscal year 2009-2010 budget projects a further decrease of \$3,849,511 (25 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 2009-2010 fiscal year. Total long-term obligations have increased by \$6,008,972 over the past two years.

Average daily attendance has increased by 689 over the past two years. Additional growth of 167 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$1,757,799, \$1,691,520, and \$ 1,453,020 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2009, 2008, and 2007.

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, 2009**

<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, 2009

	Adult Education Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS				
Deposits and investments	\$ 253,432	\$ 413,839	\$ 6,118,913	\$ 5,940,035
Receivables	38,205	-	24,927	22,890
Due from other funds	167,178	349,233	134,309	76,450
Total Assets	\$ 458,815	\$ 763,072	\$ 6,278,149	\$ 6,039,375
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,803	\$ 113,635	\$ 278,863	\$ 876
Due to other funds	451,012	64,245	202	-
Total Liabilities	458,815	177,880	279,065	876
Fund Balances:				
Unreserved:				
Designated	-	585,192	5,999,084	6,038,499
Undesignated, reported in:				
Debt service funds	-	-	-	-
Total Fund Balance	-	585,192	5,999,084	6,038,499
Total Liabilities and Fund Balances	\$ 458,815	\$ 763,072	\$ 6,278,149	\$ 6,039,375

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	
\$ 5,993,478	\$ 3,889,891	\$ 4,433,669	\$ 111,306	\$ 2,037,306	\$ 626,164	\$ 29,818,033	
-	-	-	743	-	-	86,765	
-	-	-	-	-	-	727,170	
<u>\$ 5,993,478</u>	<u>\$ 3,889,891</u>	<u>\$ 4,433,669</u>	<u>\$ 112,049</u>	<u>\$ 2,037,306</u>	<u>\$ 626,164</u>	<u>\$ 30,631,968</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401,177	
-	-	-	-	-	-	515,459	
-	-	-	-	-	-	916,636	
5,993,478	-	-	-	-	-	18,616,253	
-	3,889,891	4,433,669	112,049	2,037,306	626,164	11,099,079	
<u>5,993,478</u>	<u>3,889,891</u>	<u>4,433,669</u>	<u>112,049</u>	<u>2,037,306</u>	<u>626,164</u>	<u>29,715,332</u>	
<u>\$ 5,993,478</u>	<u>\$ 3,889,891</u>	<u>\$ 4,433,669</u>	<u>\$ 112,049</u>	<u>\$ 2,037,306</u>	<u>\$ 626,164</u>	<u>\$ 30,631,968</u>	

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2009

	Adult Education Fund	Deferred Maintenance Fund	County School Facilities Fund
REVENUES			
Federal sources	\$ 76,410	\$ -	\$ -
Other State sources	623,385	279,535	-
Other local sources	15,775	3,806	1,157,843
Total Revenues	715,570	283,341	1,157,843
EXPENDITURES			
Current			
Instruction	223,022	-	-
Instruction-related activities:			
School site administration	246,970	-	-
Administration:			
All other general administration	20,229	-	-
Plant services	8,148	162,292	210
Facility acquisition and construction	-	173,291	2,078,203
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	498,369	335,583	2,078,413
Excess (Deficiency) of			
Revenues Over Expenditures	217,201	(52,242)	(920,570)
OTHER FINANCING SOURCES (USES)			
Transfers in	167,015	469,054	-
Other sources	(441,386)	(64,245)	-
Transfers out	(65,748)	-	-
Net Financing Sources (Uses)	(340,119)	404,809	-
NET CHANGE IN FUND BALANCES	(122,918)	352,567	(920,570)
Fund Balance - Beginning	122,918	232,625	6,919,654
Fund Balance - Ending	\$ -	\$ 585,192	\$ 5,999,084

See accompanying note to supplementary information.

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
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	34,270	-	-
154,662	2,658,772	3,069,638	178,618	8,476
154,662	2,658,772	3,103,908	178,618	8,476
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
57,148	209,731	-	-	-
950,774	-	-	-	-
-	-	-	242,005	-
-	-	1,040,000	-	-
-	-	2,050,294	-	-
1,007,922	209,731	3,090,294	242,005	-
(853,260)	2,449,041	13,614	(63,387)	8,476
76,450	-	-	-	1,950,000
-	-	-	-	-
-	(1,950,000)	-	-	(2,010,569)
76,450	(1,950,000)	-	-	(60,569)
(776,810)	499,041	13,614	(63,387)	(52,093)
6,815,309	5,494,437	3,876,277	4,497,056	164,142
\$ 6,038,499	\$ 5,993,478	\$ 3,889,891	\$ 4,433,669	\$ 112,049

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued) FOR THE YEAR ENDED JUNE 30, 2009

	2003 COP Debt Service Fund	2007 COP Debt Service Fund	Total Non-Major Governmental Funds
REVENUES			
Federal sources	\$ -	\$ -	\$ 76,410
Other State sources	-	-	937,190
Other local sources	9,707	30,920	7,288,217
Total Revenues	9,707	30,920	8,301,817
EXPENDITURES			
Current			
Instruction	-	-	223,022
Instruction-related activities:			
School site administration	-	-	246,970
Administration:			
All other general administration	-	-	20,229
Plant services	-	-	437,529
Facility acquisition and construction	-	-	3,202,268
Other outgo	-	-	242,005
Debt service			
Principal	590,000	330,000	1,960,000
Interest and other	692,413	372,694	3,115,401
Total Expenditures	1,282,413	702,694	9,447,424
Excess (Deficiency) of			
 Revenues Over Expenditures	(1,272,706)	(671,774)	(1,145,607)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,310,012	1,297,938	7,270,469
Other sources	-	-	(505,631)
Transfers out	-	-	(4,026,317)
Net Financing Sources (Uses)	3,310,012	1,297,938	2,738,521
NET CHANGE IN FUND BALANCES	2,037,306	626,164	1,592,914
Fund Balance - Beginning	-	-	28,122,418
Fund Balance - Ending	\$ 2,037,306	\$ 626,164	\$ 29,715,332

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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.

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.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is 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 Balance.

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 (the District) as of and for the year ended June 30, 2009, which collectively comprise Perris Union High School District's basic financial statements and have issued our report thereon dated December 14, 2009. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 December 14, 2009.

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
December 14, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 the compliance of Perris Union High School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

December 14, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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 (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. 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 2008-2009*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Perris Union High School District's management. 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
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Yes
Instructional Materials general requirements	8	Yes, see below
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

	Procedures in Audit Guide	Procedures Performed
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 performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were determined to not be required.

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.

Based on our audit, we found that for the items tested, the Perris Union High School District complied with the State laws and regulations referred to above except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Perris Union High School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Perris Union High School District's compliance with the State laws and regulations referred to 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, 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
December 14, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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 not considered to be material weaknesses?	<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 Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Special Education - Local Assistant
84.027	Entitlement
84.394	ARRA - State Fiscal Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2009-1 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 155.03 ADA reported by the school for 2008-2009 should be considered non-allowable for funding purposes. Per the certified July 2, 2009, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,024,903 at \$6,611 per ADA, and the Categorical per ADA Block Grant Funding was \$77,515, at \$500 per ADA.

Additionally, on September 29, 2009, a revised 2008-2009 P-2 report was submitted with ADA of 163.67. The increase of 8.64 ADA should also be considered non-allowable for funding purposes. The additional General Purpose Entitlement Funding is \$57,119 at \$6,611 per ADA, and the categorical per ADA Block Grant Funding is \$4,320, at \$500 per ADA.

Context

The questioned costs were based upon testing of the attendance records at 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, 2009

Recommendation

Section 19852 of the "*Standards and Procedures for Audits of California K - 12 Local Educational Agencies*" Audit Guide published by the Education Audit Appeals Panel for fiscal year 2008-2009 requires that Independent Study attendance accounting procedures be followed for non-classroom based charter programs. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with Section 19852 of the Audit Guide.

District Response

The District will continue to work with legal counsel through the appeal 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, 2009

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.

State Award Findings

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	40000	State Compliance

2008-1 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 148.34 ADA reported by the school for 2007-08 should be considered non-allowable for funding purposes. Per the certified July 2, 2008, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,003,817 at \$6,767 per ADA, and the Categorical per ADA Block Grant Funding was \$74,170, at \$500 per ADA.

Context

The questioned costs were based upon testing of the attendance records at 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, 2009

Recommendation

Section 19852 of the "*Standards and Procedures for Audits of California K - 12 Local Educational Agencies*" Audit Guide published by the Education Audit Appeals Panel for fiscal year 2007-08 requires that Independent Study attendance accounting procedures be followed for non-classroom based charter programs. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with Section 19852 of the Audit Guide.

Current Status

Not implemented, see current year 2009-1.

2008-2 40000

Criteria or Specific Requirements

The District must offer instructional time equivalent to, or greater than, the required amount of instructional time as set forth in *Education Code* Section 46201, or the amount offered by the District during the 1982-83 school year, whichever is greater.

Condition

The annual instructional time calculation for grades 9-12 at Paloma Valley High School appears to be 148 minutes below the 64,800 minute requirement needed to receive funding under the Longer Day/Longer Year Incentive Program.

Questioned Costs

The penalty as calculated per *Education Code* Section 46201(d) is as follows:

<u>Average Daily Attendance (ADA)</u>		<u>Base Revenue Limit per ADA</u>		<u>Apportionment</u>
6,520.41	X	\$6,651.77	=	\$43,372,267.63
<u>Number of Minutes Short</u>		<u>Number of Required Minutes</u>		
148		64,800	=	0.0023
<u>Apportionment</u>		<u>Percentage</u>		<u>Penalty</u>
\$43,372,267.63	X	0.23 percent	=	\$99,756.22

Context

The questioned costs and findings were based on testing of the Longer Day/Longer Year Incentive Program.

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Effect

It appears that the District is out of compliance with the Longer Day/Longer Year Incentive Program.

Cause

Per inquiry with the District's personnel, it appears that the bell schedules at Paloma Valley High School were revised at some point during the school year, without verifying the effect on continued compliance.

Recommendation

Per *Education Code* 46206(b) a waiver may be filed with the Department of Education to avoid any penalties that may be levied by the State on funds already allocated to the District. The District must maintain minutes of instruction equal to those lost in addition to the amount otherwise required for the two years following the year in which the waiver is granted.

Current Status

Implemented.



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, 2009, 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 December 14, 2009, on the government-wide financial statements of Perris Union High School District.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

ASSOCIATED STUDENT BODY (ASB)

Perris High School

Observation

Tickets are not adequately safeguarded in the ASB office and are exposed. Although kept in a locked office behind the ASB clerk's desk, they are not safely maintained due to lack of availability.

Recommendation

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

Observation

Bank reconciliations are not being prepared for bank statements received. The issue was noted to be due to a software problem that the District is aware of and is currently in the process of being resolved.

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.

Perris Union High School District
Governing Board

SITE CASH

Perris Lake Continuation High School

Observations

The following deficiencies were noted in site cash:

1. Cash collections at the library are not adequately safeguarded and have previously been broken into in the same place currently kept.
2. Money collected is not sent to the District on, at least, a monthly basis.
3. Cash on hand did not reconcile to receipts (overage).

Recommendation

Cash should be kept in a safeguarded area such as a locked drawer that is not accessible past operating hours. Money collected should be forwarded to the District office along with receipts on at least a monthly basis and not kept for long periods of time. Receipt copies should accurately reflect and reconcile to cash on hand.

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

Vavrine K, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009