



**PERRIS UNION HIGH  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2008**

**PERRIS UNION HIGH SCHOOL DISTRICT**  
**OF RIVERSIDE COUNTY**  
**PERRIS, CALIFORNIA**  
**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eric J. Kroencke	President	2011
Joan D. Cooley	Vice President	2011
William F. Hulstrom	Clerk	2009
Carolyn A. Twyman	Member	2009
Randy J. Williams	Member	2011

**ADMINISTRATION**

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Interim Assistant Superintendent, Business Services
Steve Spraker	Assistant Superintendent, Educational Services
Leslie Ventuleth	Chief Human Resources Officer

# PERRIS UNION HIGH SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## 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, 2008, 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 2007-08* 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, 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 14 and budgetary comparison information on pages 52 and 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*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*Vavrinek, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
December 19, 2008



# Perris Union High School District

"Growing Together Through Education"

**District Superintendent**  
Jonathan L. Greenberg, Ed. D.

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Perris, CA 92570-2124  
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This section of Perris Union High School District's (the "District") (2007-08) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008, with comparative information from 2007. 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, 2008**

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### ***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:

- The new comprehensive high school, Heritage High School, opened its doors to 9<sup>th</sup> and 10<sup>th</sup> graders in the fall of 2007.
- Perris High School's stadium project, funded by Measures "T" and "Z" Bonds, was completed and ready for their grand opening and re-dedication in September 2008.
- Paloma Valley High School's shade and lunch shelter project was started and is well underway with expected completion by December 2008.
- The District purchased 49 busses, 28 of which are fueled by compressed natural gas (CNG). The District received discounts of \$1,380,000 on the CNG busses as well as grant funding of \$225,000 for the District's own CNG fueling station.

### ***REPORTING THE DISTRICT AS A WHOLE***

#### ***The Statement of Net Assets and the Statement of Activities***

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

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

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008**

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

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

### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### ***Fund Financial Statements***

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

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

### ***THE DISTRICT AS A TRUSTEE***

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in separate *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, 2008

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### *THE DISTRICT AS A WHOLE*

#### *Net Assets*

The District's net assets were \$162,971,083 for the fiscal year ended June 30, 2008. Of this amount, \$1,864,520 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	
	2008	2007
<b>Assets</b>		
Current and other assets	\$ 76,616,448	\$ 95,737,008
Capital assets	200,089,676	173,151,914
<b>Total Assets</b>	<u>276,706,124</u>	<u>268,888,922</u>
<b>Liabilities</b>		
Current liabilities	10,923,274	13,239,343
Long-term obligations (includes current portion)	102,811,767	95,313,577
<b>Total Liabilities</b>	<u>113,735,041</u>	<u>108,552,920</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	112,113,729	109,779,465
Restricted	48,992,834	39,383,848
Unrestricted	1,864,520	11,172,689
<b>Total Net Assets</b>	<u>\$ 162,971,083</u>	<u>\$ 160,336,002</u>

The \$1,864,520 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, 2008

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### *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 16. 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	
		2008	2007
<b>Revenues</b>			
Program revenues:			
Charges for services		\$ 319,593	\$ 285,336
Operating grants and contributions		17,380,982	14,389,121
Capital grants and contributions		2,433,191	9,201,226
General revenues:			
State revenue limit sources		34,547,696	34,848,807
Property taxes		35,308,664	28,489,518
Other general revenues		5,380,487	12,015,279
<b>Total Revenues</b>		<b>95,370,613</b>	<b>99,229,287</b>
<b>Expenses</b>			
Instruction		48,003,975	41,581,161
Instruction-related		11,000,684	8,730,494
Student support services		8,488,400	7,163,808
Administration		5,863,737	4,501,116
Maintenance and operations		10,291,671	9,459,239
Other		9,087,065	6,621,480
<b>Total Expenses</b>		<b>92,735,532</b>	<b>78,057,298</b>
<b>Change in Net Assets</b>		<b>\$ 2,635,081</b>	<b>\$ 21,171,989</b>

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *Governmental Activities*

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$92,735,532. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$35,308,664 because the cost was paid by those who benefited from the programs (\$319,593) or by other governments and organizations who subsidized certain programs with grants and contributions (\$19,814,173). 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	
	2008	2007	2008	2007
Instruction and instruction-related	\$ 59,004,659	\$ 50,311,655	\$ 44,775,393	\$ 29,968,025
Pupil services	8,488,400	7,163,808	6,143,174	5,123,491
Administration	5,863,737	4,501,116	5,232,947	3,791,607
Maintenance and operations	10,291,671	9,459,239	8,438,531	8,843,071
Other outgo	9,087,065	6,621,480	8,011,721	6,455,421
<b>Total</b>	<b>\$ 92,735,532</b>	<b>\$ 78,057,298</b>	<b>\$ 72,601,766</b>	<b>\$ 54,181,615</b>

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *THE DISTRICT'S FUNDS*

As the District completed this year, our governmental funds reported a combined fund balance of \$65,337,524, which is a decrease of \$16,752,763 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General Fund	\$ 16,067,770	\$ 82,194,568	\$ 83,690,997	\$ 14,571,341
Charter School Fund	1,111,207	3,321,650	3,273,974	1,158,883
Building Fund	20,915,662	10,308,195	20,620,132	10,603,725
Capital Facilities Fund	16,479,955	4,529,600	10,128,398	10,881,157
County School Facilities Fund	5,571,719	5,585,483	4,237,548	6,919,654
Capital Project Fund for Blended Component Units	6,486,324	3,031,072	4,022,959	5,494,437
Non-Major Governmental Funds	15,457,650	6,959,553	6,708,876	15,708,327
<b>Total</b>	<b>\$ 82,090,287</b>	<b>\$ 115,930,121</b>	<b>\$ 132,682,884</b>	<b>\$ 65,337,524</b>

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 decreased from \$16,067,770 to \$14,571,341 because of one-time costs for opening Heritage High School and the Student Center in the A Complex.
  - a. The Building, Capital Facilities, County School Facilities and Capital Project Funds decreased \$15,554,687 collectively due primarily to the completion of the last phase of Heritage High School and Modernization projects at Perris 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 52.

- Significant revenue revisions made to the 2007-2008 adopted budget were attributable to a combination of decreased Federal awards and increased funding for State restricted fund revenues.
- Budgeted expenditures increased due to collective bargaining salary COLA increases of 4.53 percent and to the addition of eight literacy coaches funded by restricted General Fund ongoing revenues.

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

At June 30, 2008, the District had \$200,089,676 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$26,937,762, or 15.6%, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2008	2007
Land and construction in progress	\$ 4,132,530	\$ 87,602,962
Buildings and improvements	189,151,318	84,586,551
Furniture and equipment	6,805,828	962,401
<b>Total</b>	<b>\$ 200,089,676</b>	<b>\$ 173,151,914</b>

This year's decrease of \$83.5 million in Land and Construction in Progress is primarily a result of the completion of several projects and their reclassification to Building and Improvements such as the completion of Heritage High School, Perris High School Track and Field and Perris High School Modernization projects. In addition, the \$5.8 million increase in Furniture and equipment reflects the acquisition of 49 buses. The overall total amount includes a \$3 million decrease due to 2007-08 depreciation.

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### *Long-Term Obligations*

At the end of this year, the District had \$102,811,767 in long-term obligations outstanding versus \$95,313,577 last year, an increase of 7.9%. These long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 62,682,531	\$ 62,685,168
Certificates of participation	29,400,000	27,132,952
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	5,238,519	-
Other	490,717	495,457
<b>Total</b>	<b>\$ 102,811,767</b>	<b>\$ 95,313,577</b>

Other obligations include accumulated vacation payable and Public Agency Retirement Services retirement payable. Certificates of Participation (COPS) issued in 2000 were refinanced in December of 2007. A portion of the payout is held in an escrow account and this is the reason the balance appears to be higher. The Capital lease obligations increased as a result of the lease agreement with option to purchase 49 buses that the District entered into. 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, 2008**

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### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-2007 ARE NOTED BELOW:***

Accomplishments to support student learning during the 2007-2008 school year included staff development activities for over 300 teachers, administrators and support staff, adoption of new Science textbooks for all students, standards based curriculum development in all core academic classes, and a continued increase in technology for student use. The District is seeing great success in its third year of using state-of-the-art web-based student information software to allow students and parents to communicate with teachers from home.

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 2007-2008. 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 wrote an LEA Plan Addendum. The District partnered with Riverside County Office of Education (RCOE) to act as the external organization to assist the District and provide technical assistance throughout this process. RCOE collaborated with the District to address teaching and learning needs of the District and to specify problems of low-achieving students. 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 2007-08 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 the addition of four Math Coaches and four Literacy Coaches added to the staffing at the comprehensive high schools and at Pinacate Middle School.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2008-09 year, the governing board and management used the following criteria:

1. District enrollment, including Charter schools, was projected to be 10,103. This represented an increase of 3.55 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 was projected to be 9,326. This represents an increase of 319 or 3.54 percent.
2. Lottery funding for 2008-09 was projected to be \$131.50 per prior-year annual ADA. This per-pupil rate reflects \$115 per pupil for unrestricted lottery revenues and \$16.50 per pupil for lottery funding restricted to the purchase of instructional materials.
3. Base Revenue Limit was calculated at \$6,654.13 per ADA including a statutory Cost of Living Adjustment (COLA) of 5.66 percent paired with a deficit factor of 5.357 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 2008-09 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. This preemptive budget reduction puts the District in a position to be fiscally solvent and prepared for an economic downturn should the State budget proposals be less optimistic than originally anticipated.

### ***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, Interim Assistant Superintendent, Business Services, at Perris Union High School District, 155 E. 4<sup>th</sup> Street, Perris, California, 92570, or e-mail at [creines@puhsd.org](mailto:creines@puhsd.org).

# PERRIS UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 65,197,538
Receivables	10,350,057
Prepaid expenditures	24,080
Deferred charges	1,044,773
Capital assets	
Land and construction in process	4,132,530
Other capital assets	230,808,368
Accumulated depreciation	(34,851,222)
Total Capital Assets	<u>200,089,676</u>
<b>Total Assets</b>	<u><u>276,706,124</u></u>
<b>LIABILITIES</b>	
Accounts payable	10,187,970
Interest payable	689,123
Deferred revenue	46,181
Long-term obligations	
Current portion of long-term obligations	2,591,423
Noncurrent portion of long-term obligations	<u>100,220,344</u>
Total Long-Term Obligations	<u>102,811,767</u>
<b>Total Liabilities</b>	<u><u>113,735,041</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	112,113,729
Restricted for:	
Debt service	8,893,125
Capital projects	33,638,877
Educational programs	5,101,817
Other activities	1,359,015
Unrestricted	<u>1,864,520</u>
<b>Total Net Assets</b>	<u><u>\$ 162,971,083</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, 2008

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
<b>Governmental Activities:</b>					
Instruction	\$ 48,003,975	\$ 81,761	\$ 10,047,509	\$ 2,433,191	\$ (35,441,514)
Instruction-related activities:					
Supervision of instruction	2,513,999	-	1,137,448	-	(1,376,551)
Instructional library, media and technology	631,490	-	7,095	-	(624,395)
School site administration	7,855,195	-	522,262	-	(7,332,933)
Pupil services:					
Home-to-school transportation	4,037,916	231,655	881,956	-	(2,924,305)
All other pupil services	4,450,484	-	1,231,615	-	(3,218,869)
Administration:					
Data processing	981,798	-	-	-	(981,798)
All other administration	4,881,939	5,980	624,810	-	(4,251,149)
Plant services	10,291,671	197	1,852,943	-	(8,438,531)
Ancillary services	1,736,592	-	4,971	-	(1,731,621)
Community services	1,474	-	-	-	(1,474)
Interest on long-term obligations	4,007,919	-	-	-	(4,007,919)
Other outgo	3,341,080	-	1,070,373	-	(2,270,707)
<b>Total Governmental Activities</b>	<b>\$ 92,735,532</b>	<b>\$ 319,593</b>	<b>\$ 17,380,982</b>	<b>\$ 2,433,191</b>	<b>(72,601,766)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					29,189,462
Property taxes, levied for debt service					3,356,716
Taxes levied for other specific purposes					2,762,486
Federal and State aid not restricted to specific purposes					34,547,696
Interest and investment earnings					2,147,317
Transfers between agencies					9,648
Miscellaneous					3,223,522
<b>Subtotal, General Revenues</b>					<b>75,236,847</b>
<b>Change in Net Assets</b>					<b>2,635,081</b>
Net Assets - Beginning					160,336,002
Net Assets - Ending					<b>\$162,971,083</b>

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

# PERRIS UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Charter School Fund	Building Fund
<b>ASSETS</b>			
Deposits and investments	\$ 14,081,496	\$ 741,324	\$ 7,075,405
Receivables	5,119,812	209,875	81,735
Due from other funds	499,128	561,226	4,650,978
Prepaid expenditures	24,080	-	-
<b>Total Assets</b>	<b>\$ 19,724,516</b>	<b>\$ 1,512,425</b>	<b>\$ 11,808,118</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,545,768	\$ 24,576	\$ 1,162,932
Due to other funds	561,226	328,966	41,461
Deferred revenue	46,181	-	-
<b>Total Liabilities</b>	<b>5,153,175</b>	<b>353,542</b>	<b>1,204,393</b>
<b>Fund Balances:</b>			
Reserved for:			
Revolving cash	25,000	-	-
Prepaid expenditures	24,080	-	-
Legally restricted balances	4,946,406	32,493	-
Unreserved:			
Designated	9,575,855	1,126,390	9,965,352
Undesignated, reported in:			
Debt service funds	-	-	-
Capital projects funds	-	-	638,373
<b>Total Fund Balance</b>	<b>14,571,341</b>	<b>1,158,883</b>	<b>10,603,725</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,724,516</b>	<b>\$ 1,512,425</b>	<b>\$ 11,808,118</b>

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

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 15,785,405	\$ 4,182,377	\$ 7,494,437	\$ 15,837,094	\$ 65,197,538
114,600	3,885,011	738,148	200,876	10,350,057
1,154,322	14,419	-	1,235	6,881,308
-	-	-	-	24,080
<u>\$ 17,054,327</u>	<u>\$ 8,081,807</u>	<u>\$ 8,232,585</u>	<u>\$ 16,039,205</u>	<u>\$ 82,452,983</u>
\$ 1,525,628	\$ 30,502	\$ 2,738,148	\$ 160,416	\$ 10,187,970
4,647,542	1,131,651	-	170,462	6,881,308
-	-	-	-	46,181
<u>6,173,170</u>	<u>1,162,153</u>	<u>2,738,148</u>	<u>330,878</u>	<u>17,115,459</u>
-	-	-	-	25,000
-	-	-	-	24,080
-	-	-	122,918	5,101,817
8,922,149	6,919,654	5,494,437	7,047,934	49,051,771
-	-	-	8,537,475	8,537,475
1,959,008	-	-	-	2,597,381
<u>10,881,157</u>	<u>6,919,654</u>	<u>5,494,437</u>	<u>15,708,327</u>	<u>65,337,524</u>
<u>\$ 17,054,327</u>	<u>\$ 8,081,807</u>	<u>\$ 8,232,585</u>	<u>\$ 16,039,205</u>	<u>\$ 82,452,983</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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<b>Total Fund Balance - Governmental Funds</b>		\$ 65,337,524
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
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	\$234,940,898	
Accumulated depreciation is	<u>(34,851,222)</u>	
Net Capital Assets		200,089,676
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		1,044,773
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.		(689,123)
Long-term obligations at year-end consist of:		
General Obligation Bonds	62,682,531	
Certificates of Participation	29,400,000	
QZAB Lease Purchase Agreement	5,000,000	
Capital Leases	5,238,519	
Accumulated Vacation	265,978	
PARS Retirement	<u>224,739</u>	
Total Long-Term Obligations		<u>(102,811,767)</u>
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$162,971,083</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, 2008

	General Fund	Charter School Fund	Building Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 57,375,088	\$ 2,983,692	\$ -
Federal sources	3,146,820	-	-
Other State sources	10,078,130	280,882	-
Other local sources	6,218,050	32,498	803,395
<b>Total Revenues</b>	<b>76,818,088</b>	<b>3,297,072</b>	<b>803,395</b>
<b>EXPENDITURES</b>			
Current			
Instruction	42,928,883	1,838,113	-
Instruction-related activities:			
Supervision of instruction	2,555,421	467	-
Instructional library, media, and technology	631,241	-	-
School site administration	6,961,624	664,761	-
Pupil services:			
Home-to-school transportation	9,276,059	-	-
All other pupil services	4,380,139	67,665	-
Administration:			
Data processing	1,086,553	-	-
All other administration	4,268,682	287,689	-
Plant services	9,102,921	325,124	-
Facility acquisition and construction	350,551	-	10,995,552
Ancillary services	1,707,981	90,155	-
Community services	1,474	-	-
Other outgo	12,229	-	-
Debt service			
Principal	-	-	160,000
Interest and other	-	-	244,800
<b>Total Expenditures</b>	<b>83,263,758</b>	<b>3,273,974</b>	<b>11,400,352</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,445,670)</b>	<b>23,098</b>	<b>(10,596,957)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	137,961	24,578	404,800
Other sources	5,238,519	-	9,100,000
Transfers out	(427,239)	-	-
Other uses	-	-	(9,219,780)
<b>Net Financing Sources (Uses)</b>	<b>4,949,241</b>	<b>24,578</b>	<b>285,020</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,496,429)</b>	<b>47,676</b>	<b>(10,311,937)</b>
<b>Fund Balance - Beginning</b>	<b>16,067,770</b>	<b>1,111,207</b>	<b>20,915,662</b>
<b>Fund Balance - Ending</b>	<b>\$ 14,571,341</b>	<b>\$ 1,158,883</b>	<b>\$ 10,603,725</b>

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



<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 60,358,780
-	-	-	63,064	3,209,884
-	1,540,776	-	1,129,124	13,028,912
3,216,759	1,306,559	3,031,072	4,163,469	18,771,802
<u>3,216,759</u>	<u>2,847,335</u>	<u>3,031,072</u>	<u>5,355,657</u>	<u>95,369,378</u>
-	-	-	355,413	45,122,409
-	-	-	-	2,555,888
-	-	-	-	631,241
-	-	-	242,242	7,868,627
-	-	-	-	9,276,059
-	-	-	-	4,447,804
-	-	-	-	1,086,553
344,479	-	-	25,358	4,926,208
90,467	-	50,888	860,056	10,429,456
7,975,811	4,237,548	31,644	594,074	24,185,180
-	-	-	-	1,798,136
-	-	-	-	1,474
-	-	-	87,023	99,252
695,000	-	-	945,000	1,800,000
617,841	-	-	2,151,187	3,013,828
<u>9,723,598</u>	<u>4,237,548</u>	<u>82,532</u>	<u>5,260,353</u>	<u>117,242,115</u>
(6,506,839)	(1,390,213)	2,948,540	95,304	(21,872,737)
1,312,841	2,738,148	-	1,602,661	6,220,989
-	-	-	1,235	14,339,754
(404,800)	-	(3,940,427)	(1,448,523)	(6,220,989)
-	-	-	-	(9,219,780)
<u>908,041</u>	<u>2,738,148</u>	<u>(3,940,427)</u>	<u>155,373</u>	<u>5,119,974</u>
(5,598,798)	1,347,935	(991,887)	250,677	(16,752,763)
16,479,955	5,571,719	6,486,324	15,457,650	82,090,287
<u>\$ 10,881,157</u>	<u>\$ 6,919,654</u>	<u>\$ 5,494,437</u>	<u>\$ 15,708,327</u>	<u>\$ 65,337,524</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, 2008

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Total Net Change in Fund Balances - Governmental Funds \$(16,752,763)

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$29,993,445	
Depreciation expense	<u>(3,055,683)</u>	
Net Expense Adjustment		26,937,762

Some of the capital assets acquired this year were financed with capital leases.

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term obligations in the statement of net assets. (5,238,519)

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 \$70,173 and supplementary retirement earned was less than the amounts used by \$74,913. 4,740

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:

Sale of refunding certificates of participation (9,100,000)

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	945,000
Certificates of participation	6,832,952

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

## PERRIS UNION HIGH SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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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 \$10,975, and second, \$942,363 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

**Change in Net Assets of Governmental Activities**

\$ (931,388)

\$ 2,635,081

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 458,727
<b>LIABILITIES</b>	
Due to student groups	\$ 458,727

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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, two 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, 2008

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**Public Entity Risk Pools** The District is associated with three public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Riverside Employer/Employee Partnership (REEP)
- Protected Insurance Program for Schools (PIPS)
- Riverside Schools' Insurance Authority (RSIA)

### 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).

**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.).

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**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.

### 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.

**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:

**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).

**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).

**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.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**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. 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.

**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.



# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**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.

**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. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### 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. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Investments**

Investments held at June 30, 2008, 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.

### **Interfund Balances**

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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.

### **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, 2008**

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### **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 \$48,992,834 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 1<sup>st</sup> 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 purposes of the budget, 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, 2008**

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### **New Accounting Pronouncements**

In July 2004, 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 will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of Statement No. 47 should be applied simultaneously with the requirements of Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of Statement No. 47 is encouraged.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 65,197,538
Fiduciary funds	458,727
Total Deposits and Investments	<u>\$ 65,656,265</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 458,727
Cash in revolving	25,000
Investments	65,172,538
Total Deposits and Investments	<u>\$ 65,656,265</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, 2008

### 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	\$ 14,588,874	1
County Pool	50,593,781	445
Total	<u>\$ 65,182,655</u>	



# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### 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, 2008	Fair Value
Money Market Mutual Funds	Not Required	Not Rated	\$ 14,588,874
County Pool	Not Required	AAA	50,593,781
Total Investments			<u>\$ 65,182,655</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 agencies. 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, 2008, the District's bank balance of \$296,691 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, 2008**

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
Federal Government				
Categorical aid	\$ 464,814	\$ -	\$ -	\$ -
State Government				
Apportionment	2,340,019	160,420	-	-
Categorical aid	725,708	17,552	-	-
Lottery	247,591	10,444	-	-
Local Government				
Interest	165,289	9,307	81,735	11,460
Other Local Sources	1,176,391	12,152	-	103,140
Total	<u>\$ 5,119,812</u>	<u>\$ 209,875</u>	<u>\$ 81,735</u>	<u>\$ 114,600</u>

	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Federal Government				
Categorical aid	\$ -	\$ -	\$ 15,766	\$ 480,580
State Government				
Apportionment	-	-	-	2,500,439
Categorical aid	-	-	109,081	852,341
Lottery	-	-	-	258,035
Local Government				
Interest	24,333	-	65,053	357,177
Other Local Sources	3,860,678	738,148	10,976	5,901,485
Total	<u>\$ 3,885,011</u>	<u>\$ 738,148</u>	<u>\$ 200,876</u>	<u>\$ 10,350,057</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,515,140	\$ -	\$ -	\$ 3,515,140
Construction in Progress	84,087,822	23,308,385	106,778,817	617,390
Total Capital Assets Not Being Depreciated	87,602,962	23,308,385	106,778,817	4,132,530
Capital Assets Being Depreciated:				
Land Improvements	12,864,284	852,726	-	13,717,010
Buildings	102,584,910	106,555,289	-	209,140,199
Equipment	1,895,297	6,055,862	-	7,951,159
Total Capital Assets Being Depreciated	117,344,491	113,463,877	-	230,808,368
Total Capital Assets	204,947,453	136,772,262	106,778,817	234,940,898
Less Accumulated Depreciation:				
Land Improvements	6,511,562	573,258	-	7,084,820
Buildings	24,351,081	2,269,990	-	26,621,071
Equipment	932,896	212,435	-	1,145,331
Total Accumulated Depreciation	31,795,539	3,055,683	-	34,851,222
Governmental Activities Capital Assets, Net	<u>\$173,151,914</u>	<u>\$133,716,579</u>	<u>\$106,778,817</u>	<u>\$200,089,676</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 3,000,123
School site administration	12,402
Data processing	15,023
All other administration	6,088
Plant services	22,047
Total Depreciation Expenses All Activities	<u>\$ 3,055,683</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds are as follows:

Due To	Due From						Total
	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$328,966	\$ -	\$ 6,917	\$ 356	\$ 162,889	\$ 499,128
Charter School Fund	561,226	-	-	-	-	-	561,226
Building Fund	-	-	-	4,634,640	8,765	7,573	4,650,978
Capital Facilities Fund	-	-	31,792	-	1,122,530	-	1,154,322
County School Facilities Fund	-	-	8,434	5,985	-	-	14,419
Non-Major Governmental Funds	-	-	1,235	-	-	-	1,235
Total	<u>\$ 561,226</u>	<u>\$328,966</u>	<u>\$ 41,461</u>	<u>\$4,647,542</u>	<u>\$ 1,131,651</u>	<u>\$ 170,462</u>	<u>\$ 6,881,308</u>

The balance of \$537,607 is due to the Charter School Fund from the General Fund for the property tax transfer.

The balance of \$4,634,640 is due to the Building Fund from the Capital Facilities Fund to reimburse costs.

The balance of \$1,122,530 is due to the Capital Facilities Fund from the County School Facilities Fund to reimburse costs.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 2,279	\$ 135,682	\$ 137,961
Charter School Fund	24,578	-	-	-	24,578
Building Fund	-	404,800	-	-	404,800
Capital Facilities Fund	-	-	-	1,312,841	1,312,841
County School Facilities Fund	-	-	2,738,148	-	2,738,148
Non-Major Governmental Funds	402,661	-	1,200,000	-	1,602,661
Total	<u>\$ 427,239</u>	<u>\$ 404,800</u>	<u>\$ 3,940,427</u>	<u>\$ 1,448,523</u>	<u>\$ 6,220,989</u>

The General Fund transferred to the Charter School Fund for remediation and tutoring pass-thru.	\$ 24,578
The General Fund transferred to the Deferred Maintenance Fund for the match.	402,661
The Capital Facilities Fund transferred to the Building Fund for COP debt service payments.	404,800
The Adult Education Fund transferred to the General Fund to repay a prior year loan.	135,682
The Capital Project Fund for Blended Component Units transferred to the General Fund.	2,279
The Capital Project Fund for Blended Component Units transferred to the County School Facilities Fund for the District match for Heritage High School.	2,738,148
The Capital Project Fund for Blended Component Units transferred to the Corporation Debt Service Fund for COP debt service payments.	1,200,000
The Corporation Debt Service Fund transferred to the Capital Facilities Fund for debt service payments.	1,312,841
Total	<u>\$ 6,220,989</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
Vendor payables	\$ 1,698,345	\$ 5,548	\$ 170,442	\$ 116,718
State apportionment	2,362,770	13,535	-	-
Salaries and benefits	484,653	5,493	-	-
Construction	-	-	992,490	1,408,910
Total	<u>\$ 4,545,768</u>	<u>\$ 24,576</u>	<u>\$ 1,162,932</u>	<u>\$ 1,525,628</u>

	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 11,745	\$ 2,738,148	\$ 94,794	\$ 4,835,740
State apportionment	-	-	-	2,376,305
Salaries and benefits	-	-	1,008	491,154
Construction	18,757	-	64,614	2,484,771
Total	<u>\$ 30,502</u>	<u>\$ 2,738,148</u>	<u>\$ 160,416</u>	<u>\$ 10,187,970</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
State categorical aid	<u>\$ 46,181</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### 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, 2007	Additions and Adjustments	Deductions	Balance June 30, 2008	Due in One Year
General Obligation Bonds	\$ 62,685,168	\$ 942,363	\$ 945,000	\$ 62,682,531	\$ 1,040,000
Certificates of Participation	27,132,952	9,100,000	6,832,952	29,400,000	920,000
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	-	5,238,519	-	5,238,519	556,510
Accumulated Vacation	195,805	70,173	-	265,978	-
PARS Retirement	299,652	-	74,913	224,739	74,913
	<u>\$ 95,313,577</u>	<u>\$ 15,351,055</u>	<u>\$ 7,852,865</u>	<u>\$ 102,811,767</u>	<u>\$ 2,591,423</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 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.

#### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2008
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 4,191,108	\$ -	\$ 291,748	\$ -	\$ 4,482,856
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	5,784,384	-	317,394	-	6,101,778
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	6,715,000	-	-	635,000	6,080,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	38,745,256	-	311,552	30,000	39,026,808
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	7,249,420	-	21,669	280,000	6,991,089
				<u>\$62,685,168</u>	<u>\$ -</u>	<u>\$ 942,363</u>	<u>\$ 945,000</u>	<u>\$62,682,531</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, 2008, the principal balance outstanding was \$4,482,856.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **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, 2008, the principal balance outstanding was \$6,101,778.

### **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, 2008, the principal balance outstanding was \$6,080,000.

### **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, 2008, the principal balance outstanding was \$39,026,808.

### **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, 2008, the principal balance outstanding was \$6,991,089.

### **Debt Service Requirements to Maturity**

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Accreted Value Payment</u>	<u>Total</u>
2009	\$ 1,040,000	\$ 2,049,470	\$ 3,089,470
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
2014-2018	11,487,984	10,654,060	22,142,044
2019-2023	16,712,258	12,014,789	28,727,047
2024-2028	19,078,442	14,696,982	33,775,424
2029-2030	3,808,575	7,627,377	11,435,952
Subtotal	58,452,259	54,764,093	113,216,352
Accreted Interest	4,230,272	(4,230,272)	-
Total	<u>\$ 62,682,531</u>	<u>\$ 50,533,821</u>	<u>\$113,216,352</u>



# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

### Certificates of Participation

In December 2000, the District issued \$6,250,782 in Certificates of Participation for the purpose of raising money to be used to finance the acquisition, construction, and modernization of the District's school facilities. The interest rate is set at 6 percent per annum. The outstanding principal balance at June 30, 2008, is \$20,300,000.

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, 2008, the floating rate of interest was 3.920 percent. The outstanding principal balance at June 30, 2008, is \$9,100,000.

Payments are required as follows:

Year Ending June 30,	2003 COP			2007 COP		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 590,000	\$ 198,940	\$ 788,940	\$ 330,000	\$ 331,077	\$ 661,077
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
1905	670,000	174,734	844,734	285,000	328,394	613,394
2014-2018	3,180,000	780,374	3,960,374	1,610,000	1,457,069	3,067,069
2019-2023	3,680,000	614,950	4,294,950	1,965,000	1,101,369	3,066,369
2024-2028	4,270,000	423,458	4,693,458	2,400,000	653,609	3,053,609
2029-2033	4,950,000	201,390	5,151,390	1,710,000	117,675	1,827,675
2034-2036	1,080,000	10,584	1,090,584	-	-	-
Total	<u>\$ 20,300,000</u>	<u>\$ 2,965,872</u>	<u>\$ 23,265,872</u>	<u>\$ 9,100,000</u>	<u>\$ 5,040,475</u>	<u>\$ 14,140,475</u>

Year Ending June 30,	Total	
	Principal	Interest
2009	\$ 920,000	\$ 530,017
2010	860,000	554,152
2011	895,000	537,823
2012	925,000	520,749
1905	955,000	503,128
2014-2018	4,790,000	2,237,443
2019-2023	5,645,000	1,716,319
2024-2028	6,670,000	1,077,067
2029-2033	6,660,000	319,065
2034-2036	1,080,000	10,584
Total	<u>\$ 29,400,000</u>	<u>\$ 8,006,347</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

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### 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, 2008, US Bank held \$4,497,056 for the lease payment.

### Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	<u>School Buses</u>
Balance, July 1, 2007	\$ -
Additions	6,211,183
Payments	-
Balance, June 30, 2008	<u><u>\$ 6,211,183</u></u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2009	\$ 621,118
2010	621,118
2011	621,118
2012	621,118
2013	621,118
2014-2018	<u>3,105,593</u>
Total	<u>6,211,183</u>
Less: Amount Representing Interest	<u>972,664</u>
Present Value of Minimum Lease Payments	<u><u>\$ 5,238,519</u></u>

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$265,978.

### **PARS Retirement**

The PARS retirement balance for the District at June 30, 2008, amounted to \$224,739.

<u>Year Ending June 30,</u>	<u>Payment</u>
2009	\$ 74,913
2010	74,913
2011	74,913
Total	<u><u>\$ 224,739</u></u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
Reserved				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Prepaid expenditures	24,080	-	-	-
Restricted programs	4,946,406	32,493	-	-
Total Reserved	4,995,486	32,493	-	-
Unreserved				
Designated				
Economic uncertainties	3,070,439	97,091	-	-
Other designation	6,505,416	1,029,299	9,965,352	8,922,149
Total Designated	9,575,855	1,126,390	9,965,352	8,922,149
Undesignated	-	-	638,373	1,959,008
Total Unreserved	9,575,855	1,126,390	10,603,725	10,881,157
Total	\$ 14,571,341	\$ 1,158,883	\$ 10,603,725	\$ 10,881,157

	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
Reserved				
Revolving cash	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	-	-	-	24,080
Restricted programs	-	-	122,918	5,101,817
Total Reserved	-	-	122,918	5,150,897
Unreserved				
Designated				
Economic uncertainties	-	-	-	3,167,530
Other designation	6,919,654	5,494,437	7,047,934	45,884,241
Total Designated	6,919,654	5,494,437	7,047,934	49,051,771
Undesignated	-	-	8,537,475	11,134,856
Total Unreserved	6,919,654	5,494,437	15,585,409	60,186,627
Total	\$ 6,919,654	\$ 5,494,437	\$ 15,708,327	\$ 65,337,524

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2008, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 77,985,955</u>	<u>\$ 81,572,238 *</u>	<u>\$ 3,586,283</u>
Charter School Fund	<u>\$ 3,241,329</u>	<u>\$ 3,273,974</u>	<u>\$ 32,645</u>

\*Does not include on behalf payments of \$1,691,520.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Riverside Schools' Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2008, the District participated in the Protected Insurance Program for Schools (PIPS), an insurance purchasing pool. The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of PIPS. Participation in PIPS is limited to districts that can meet PIPS selection criteria.

#### **Employee Medical Benefits**

The District has contracted with the Riverside Employer/Employee Partnership (REEP) to provide employee medical and surgical benefits. REEP is a shared risk pool comprised of various Riverside County agencies. 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, 2008**

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### **NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory 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 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, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute eight 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 2007-2008 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, 2008, 2007, and 2006, were \$3,008,543, \$2,653,844, and \$2,160,083, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to 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 death 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, CA 95811.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **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 2007-2008 was 9.306 percent of annual 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, 2008, 2007, and 2006, were \$1,659,892, \$833,207, and \$1,056,357, respectively, and equal 100 percent of the required contributions for each year.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,691,520 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. 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, 2008.

### **Litigation**

There is currently pending an Education Audit Appeals Panel (EAAP) Case No. 07-19; OAH No.N2008010484 that could have an adverse financial effect on the District. The District is currently appealing audit finding 2006-10 related to Choice 2000 Online Charter School. The potential impact of lost funding is approximately \$1.2 million dollars for fiscal year 2005-06. A hearing was conducted in May 2008, by the Office of Administrative Hearings which resulted in an administrative law judge decision that waived the repayment of the approximate \$1.2 million. In November of 2008, EAAP rejected the administrative law judge decision and is currently accepting additional written argument from the parties involved. A final decision by EAAP is expected in January 2009. The Choice 2000 Online Charter School has continued to operate as a regular seat time program during the fiscal years 2006-07 and 2007-08. Additional audit findings 2007-6 and 2008-1 have been written for fiscal years 2006-07 and 2007-08, respectively. The potential for loss is approximately \$1 million for 2006-07 and \$1.1 million for 2007-08.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

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### **Construction Commitments**

As of June 30, 2008, 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 New Construction	\$ 4,273,554	12/31/08
Perris High School Track and Field	823,868	10/31/08
Perris High School Modernization II and III	1,292,779	12/31/08
Perris High School HVAC and Roofing	496,485	01/31/09
Paloma Valley High School Shade Structure	803,770	01/31/09
	<u>\$ 7,690,456</u>	

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS**

The District is a member of the Riverside Employer/Employee Partnership (REEP), Protected Insurance Program for Schools (PIPS), 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, 2008, the District made payments of \$3,556,615, \$209,202, and \$358,869 to REEP, PIPS, and RSIA respectively, for its health, workers' compensation, property liability coverage.



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***REQUIRED SUPPLEMENTARY INFORMATION***

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# PERRIS UNION HIGH SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 57,817,350	\$ 58,145,761	\$ 57,375,088	\$ (770,673)
Federal sources	3,440,072	3,412,560	3,146,820	(265,740)
Other State sources	7,271,634	8,165,587	10,078,130	1,912,543
Other local sources	5,368,394	6,469,064	6,218,050	(251,014)
<b>Total Revenues <sup>1</sup></b>	<b>73,897,450</b>	<b>76,192,972</b>	<b>76,818,088</b>	<b>625,116</b>
<b>EXPENDITURES</b>				
Current				
Instruction	41,545,370	42,679,690	42,928,883	(249,193)
Instruction-related activities:				
Supervision of instruction	2,480,127	2,506,190	2,555,421	(49,231)
Instructional library, media, and technology	612,642	619,080	631,241	(12,161)
School site administration	6,756,504	6,827,505	6,961,624	(134,119)
Pupil services:				
Home-to-school transportation	6,004,156	5,814,130	9,276,059	(3,461,929)
All other pupil services	2,835,152	2,745,422	4,380,139	(1,634,717)
General administration:				
Data processing	1,169,508	1,113,310	1,086,553	26,757
All other general administration	4,594,582	4,373,801	4,268,682	105,119
Plant services	9,715,957	9,437,584	9,102,921	334,663
Facility acquisition and construction	374,159	363,439	350,551	12,888
Ancillary services	1,483,557	1,493,575	1,707,981	(214,406)
Community services	-	-	1,474	(1,474)
Other outgo	-	12,229	12,229	-
<b>Total Expenditures <sup>1</sup></b>	<b>77,571,714</b>	<b>77,985,955</b>	<b>83,263,758</b>	<b>(5,277,803)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,674,264)</b>	<b>(1,792,983)</b>	<b>(6,445,670)</b>	<b>(4,652,687)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	137,804	137,961	157
Other sources	-	-	5,238,519	5,238,519
Transfers out	(2,960,434)	(419,834)	(427,239)	(7,405)
<b>Net Financing Sources (Uses)</b>	<b>(2,960,434)</b>	<b>(282,030)</b>	<b>4,949,241</b>	<b>5,231,271</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(6,634,698)</b>	<b>(2,075,013)</b>	<b>(1,496,429)</b>	<b>578,584</b>
<b>Fund Balance - Beginning</b>	<b>16,067,770</b>	<b>16,067,770</b>	<b>16,067,770</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,433,072</b>	<b>\$ 13,992,757</b>	<b>\$ 14,571,341</b>	<b>\$ 578,584</b>

<sup>1</sup> On behalf payments of \$1,691,520 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, 2008

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 2,625,210	\$ 2,797,063	\$ 2,983,692	\$ 186,629
Other State sources	253,828	287,709	280,882	(6,827)
Other local sources	60,000	26,376	32,498	6,122
<b>Total Revenues</b>	<b>2,939,038</b>	<b>3,111,148</b>	<b>3,297,072</b>	<b>185,924</b>
<b>EXPENDITURES</b>				
Current				
Instruction	1,995,180	1,873,219	1,838,113	35,106
Instruction-related activities:				
Supervision of instruction	428	425	467	(42)
School site administration	608,898	605,222	664,761	(59,539)
Pupil services:				
All other pupil services	72,864	67,671	67,665	6
General administration:				
All other general administration	86,060	277,180	287,689	(10,509)
Plant services	437,159	336,113	325,124	10,989
Ancillary services	44,746	81,499	90,155	(8,656)
<b>Total Expenditures</b>	<b>3,245,335</b>	<b>3,241,329</b>	<b>3,273,974</b>	<b>(32,645)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(306,297)</b>	<b>(130,181)</b>	<b>23,098</b>	<b>153,279</b>
<b>Other Financing Sources:</b>				
Transfers in	-	17,173	24,578	7,405
<b>NET CHANGE IN FUND BALANCES</b>	<b>(306,297)</b>	<b>(113,008)</b>	<b>47,676</b>	<b>160,684</b>
<b>Fund Balance - Beginning</b>	<b>1,111,207</b>	<b>1,111,207</b>	<b>1,111,207</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 804,910</b>	<b>\$ 998,199</b>	<b>\$ 1,158,883</b>	<b>\$ 160,684</b>

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***SUPPLEMENTARY INFORMATION***

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# PERRIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind			
Title I, Part A Basic Grants Low-Income and Neglected	84.010	13797	\$ 1,405,488
Title I, Part A Program Improvement District Intervention	84.018	14581	44,751
Title II, Part A Improving Teacher Quality	84.367	14341	300,690
Title II, Part D Enhancing Education Thru Technology	84.318	14334	16,773
Title III, Limited English Proficiency	84.365	10084	70,025
Title III, Immigrant Education Program	84.365	14346	6,770
Title IV, Part A Drug Free Schools	84.186	14347	33,246
Title V, Part A Innovative Education	84.298A	14354	11,304
Vocational Education Programs:			
Vocational and Applied Tech Secondary II C	84.048	13924	165,660
Individuals with Disabilities Education Act			
Basic Local Assistance Entitlement, Part B	84.027	13379	895,891
Adult Education			
Priority 1-3 Adult Basic Education	84.002A	14508	19,816
Priority 5 Adult Secondary Education	84.002A	13978	28,248
English Literacy and Civic Education	84.002A	14109	15,000
Total U.S. Department of Education			<u>3,013,662</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Reserve Officers' Training Corps	12.125	[1]	196,221
Total Expenditures of Federal Awards			<u>\$ 3,209,883</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, 2008**

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### **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, two high schools, a continuation school, a community day school, two charter schools, and an adult education school. There were no boundary changes during the year.

### **GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Eric J. Kroencke	President	2011
Joan D. Cooley	Vice President	2011
William F. Hulstrom	Clerk	2009
Carolyn A. Twyman	Member	2009
Randy J. Williams	Member	2011

### **ADMINISTRATION**

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Interim Assistant Superintendent, Business Services
Steve Spraker	Assistant Superintendent, Educational Services
Leslie Ventuleth	Chief Human Resources Officer

See accompanying note to supplementary information.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Seventh and eighth	1,240	1,236
Special education	46	46
Community day school	24	24
Total Elementary	1,310	1,306
<b>SECONDARY</b>		
Regular classes	6,520	6,450
Continuation education	282	267
Special education	144	144
Community day school	267	274
Total Secondary	7,213	7,135
Total K-12	8,523	8,441
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	57	59
Not concurrently enrolled	201	210
Grand Total	8,781	8,710
<b>CHARTER SCHOOLS</b>		
California Military Institute		
Seventh and eighth	182	181
Ninth through twelfth	130	130
Total	312	311
California Military Institute - Classroom-based		
Seventh and eighth	182	181
Ninth through twelfth	130	130
Total	312	311
Choice 2000 On-Line		
Ninth through twelfth	148	158
Choice 2000 On-Line - Classroom-based		
Ninth through twelfth	-	-
		Hours of Attendance
<b>SUPPLEMENTAL INSTRUCTIONAL HOURS</b>		
Elementary		66,288
High school		176,531
Charter school - California Military Institute		5,855
Total Hours		248,674

See accompanying note to supplementary information.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-08	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			64,652	180	N/A	Did Not Comply*
Grade 10			64,652	180	N/A	Did Not Comply*
Grade 11			64,652	180	N/A	Did Not Comply*
Grade 12			64,652	180	N/A	Did Not Comply*

### California Military Institute

Grade Level	1982-83	1986-87	2007-08	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
Grades 9 - 12	55,332	64,800				
Grade 9			67,056	180	N/A	Complied

\*See State Awards Finding and Questioned Costs 2008-2.

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, 2008

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

	Building Fund	Capital Facilities Fund
FUND BALANCE		
Balance, July 1, 2007, Audited Financial Statement	\$ 9,965,352	\$ 8,922,149
Increase in:		
Investments	638,373	1,959,008
Balance, June 30, 2008, Audited Financial Statement	<u>\$ 10,603,725</u>	<u>\$ 10,881,157</u>

See accompanying note to supplementary information.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
GENERAL FUND				
Revenues	\$ 76,488,352	\$ 76,818,088	\$ 74,267,924	\$ 61,468,572
Other sources and transfers in	-	5,376,480	-	14,388
Total Revenues and Other Sources	76,488,352	82,194,568	74,267,924	61,482,960
Expenditures	80,243,694	83,263,758	68,520,928	57,003,552
Other uses and transfers out	403,235	427,239	460,364	5,274,404
Total Expenditures and Other Uses	80,646,929	83,690,997	68,981,292	62,277,956
INCREASE (DECREASE) IN FUND BALANCE	\$ (4,158,577)	\$ (1,496,429)	\$ 5,286,632	\$ (794,996)
ENDING FUND BALANCE	\$ 10,412,764	\$ 14,571,341	\$ 16,067,770	\$ 10,781,138
AVAILABLE RESERVES <sup>2</sup>	\$ 3,225,877	\$ 3,070,439	\$ 2,701,131	\$ 2,421,232
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	4.00%	3.74%	4.00%	3.96%
LONG-TERM OBLIGATIONS	N/A	\$ 102,811,767	\$ 95,313,577	\$ 83,116,756
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	8,807	8,523	8,094	7,512

The General Fund balance has increased by \$3,790,203 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$4,158,577 (28.5 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 deficits in two of the past three years and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have increased by \$19,695,011 over the past two years.

Average daily attendance has increased by 1,011 over the past two years. Additional growth of 284 ADA is anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$1,691,520, \$1,453,020, and \$1,197,264 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2008, 2007, and 2006, respectively.

<sup>4</sup> Excludes Adult Education ADA.

See accompanying note to supplementary information.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **EXCESS SICK LEAVE**

**JUNE 30, 2008**

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### **Section 19833.5 (a)(3) or (a)(3)(b) Disclosure**

Perris Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

See accompanying note to supplementary information.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **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 requirements, 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.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers' Retirement System (CalSTRS).

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the School District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# PERRIS UNION HIGH SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Adult Education Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects
<b>ASSETS</b>			
Deposits and investments	\$ 149,924	\$ 253,062	\$ 6,901,467
Receivables	137,209	3,562	55,271
Due from other funds	-	-	1,235
<b>Total Assets</b>	<u>\$ 287,133</u>	<u>\$ 256,624</u>	<u>\$ 6,957,973</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,326	\$ 23,999	\$ 135,091
Due to other funds	162,889	-	7,573
<b>Total Liabilities</b>	<u>164,215</u>	<u>23,999</u>	<u>142,664</u>
<b>Fund Balances:</b>			
Reserved for:			
Legally restricted balances	122,918	-	-
Unreserved:			
Designated	-	232,625	6,815,309
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<u>122,918</u>	<u>232,625</u>	<u>6,815,309</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 287,133</u>	<u>\$ 256,624</u>	<u>\$ 6,957,973</u>

See accompanying note to supplementary information - unaudited.



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<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Corporation Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,876,277	\$ 4,497,056	\$ 159,308	\$ 15,837,094
-	-	4,834	200,876
-	-	-	1,235
<u>\$ 3,876,277</u>	<u>\$ 4,497,056</u>	<u>\$ 164,142</u>	<u>\$ 16,039,205</u>
\$ -	\$ -	\$ -	\$ 160,416
-	-	-	170,462
<u>-</u>	<u>-</u>	<u>-</u>	<u>330,878</u>
-	-	-	122,918
-	-	-	7,047,934
<u>3,876,277</u>	<u>4,497,056</u>	<u>164,142</u>	<u>8,537,475</u>
<u>3,876,277</u>	<u>4,497,056</u>	<u>164,142</u>	<u>15,708,327</u>
<u>\$ 3,876,277</u>	<u>\$ 4,497,056</u>	<u>\$ 164,142</u>	<u>\$ 16,039,205</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Deferred Maintenance Fund	Special Reserve Fund For Capital Outlay Projects
<b>REVENUES</b>			
Federal sources	\$ 63,064	\$ -	\$ -
Other State sources	793,600	299,989	-
Other local sources	34,327	12,641	317,590
<b>Total Revenues</b>	<b>890,991</b>	<b>312,630</b>	<b>317,590</b>
<b>EXPENDITURES</b>			
Current			
Instruction	355,413	-	-
Instruction-related activities:			
School site administration	242,242	-	-
Administration:			
All other general administration	25,358	-	-
Plant services	9,378	556,651	294,027
Facility acquisition and construction	-	224,197	369,877
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>632,391</b>	<b>780,848</b>	<b>663,904</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>258,600</b>	<b>(468,218)</b>	<b>(346,314)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	402,661	-
Other sources	-	-	1,235
Transfers out	(135,682)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(135,682)</b>	<b>402,661</b>	<b>1,235</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>122,918</b>	<b>(65,557)</b>	<b>(345,079)</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>298,182</b>	<b>7,160,388</b>
<b>Fund Balance - Ending</b>	<b>\$ 122,918</b>	<b>\$ 232,625</b>	<b>\$ 6,815,309</b>

See accompanying note to supplementary information - unaudited.

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<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Corporation Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 63,064
35,535	-	-	1,129,124
3,459,258	305,907	33,746	4,163,469
<u>3,494,793</u>	<u>305,907</u>	<u>33,746</u>	<u>5,355,657</u>
-	-	-	355,413
-	-	-	242,242
-	-	-	25,358
-	-	-	860,056
-	-	-	594,074
-	87,023	-	87,023
945,000	-	-	945,000
2,083,831	-	67,356	2,151,187
<u>3,028,831</u>	<u>87,023</u>	<u>67,356</u>	<u>5,260,353</u>
<u>465,962</u>	<u>218,884</u>	<u>(33,610)</u>	<u>95,304</u>
-	-	1,200,000	1,602,661
-	-	-	1,235
-	-	(1,312,841)	(1,448,523)
-	-	(112,841)	155,373
<u>465,962</u>	<u>218,884</u>	<u>(146,451)</u>	<u>250,677</u>
<u>3,410,315</u>	<u>4,278,172</u>	<u>310,593</u>	<u>15,457,650</u>
<u>\$ 3,876,277</u>	<u>\$ 4,497,056</u>	<u>\$ 164,142</u>	<u>\$ 15,708,327</u>

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

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

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.

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***INDEPENDENT AUDITORS' REPORTS***

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

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, 2008, which collectively comprise Perris Union High School District's basic financial statements and have issued our report thereon dated December 19, 2008. 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 19, 2008.

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 19, 2008



**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 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, 2008. Perris Union High School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Perris Union High School District's management. Our responsibility is to express an opinion on Perris Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

In our opinion, Perris Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.



## 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 19, 2008



## 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 as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. 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 2007-08*, 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
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Yes
Morgan-Hart Class Size Reduction	7	Yes

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Non classroom-based instruction/independent study	15	No, see below
Determination of funding for non classroom-based instruction	3	No, see below
Annual instruction minutes classroom based	3	Yes

We did not perform testing for non-classroom-based instruction/independent study, additional classroom-based instruction or 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.

*VaurineK, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
December 19, 2008

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# PERRIS UNION HIGH SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

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### 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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A Basic Grants Low-Income and Neglected</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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, 2008**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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None reported.



# PERRIS UNION HIGH SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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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

**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

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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#### 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.

#### 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.

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%	=	\$99,756.22

## **PERRIS UNION HIGH SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Context**

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

#### **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.

#### **District Response**

The District will file a waiver as allowed by Education Code 46206(b) to the California Department of Education. The District has adjusted the bell schedules at Paloma Valley High School for 2008-2009 to maintain the required 64,800 minutes in addition to the 148 minutes that were lost in 2007-2008. Bell schedules in 2009-2010 will be maintained at this level as well.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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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.

### ***Financial Statement Findings***

**2007-1     30000**

#### ***ASSOCIATED STUDENT BODY (ASB) FUNDS***

##### ***Paloma Valley High School***

#### **Findings**

1. In reviewing the monthly bank reconciliation and financial statements we noted that the agency and trust account balances do not equal the total reconciled cash of the student body. 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.
2. In reviewing the financial statements for the student body accounts we noted that six trust accounts had negative balances. Since the student body accounts represent individual portions of the cash pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

#### **Recommendation**

The District should implement and enforce policies and procedures with regards to internal controls over student body activities. Also, the District should monitor the site's financial activity ensuring that fiscal accountability is maintained.

#### **Current Status**

Implemented.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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2007-2     30000

### *Pinacate Middle School*

#### **Findings**

1. Financial statements for the year were not available.
2. The bank reconciliation for June 30, 2007 was not prepared.
3. Paid invoices are not being properly cancelled with a paid stamp.
4. Deposits are not always being made to the bank in a timely manner. We noted instances where receipts were not deposited for up to a month after collection.
5. Revenue potential forms were not being used during the year.

#### **Recommendation**

Site personnel should receive training in the preparation of the bank reconciliation and corresponding financial statements. The District should implement and enforce policies and procedures with regards to internal controls over student body activities. Also, the District should monitor the site's financial activity ensuring that fiscal accountability is maintained.

#### **Current Status**

Implemented.

2007-3     30000

### *Perris Lake High School*

#### **Findings**

1. Checks are being issued to employees for purchases with no dollar amount printed, allowing the employee to fill in the amount at a later date.
2. Deposits are not always being made to the bank in a timely manner.
3. Revenue potential forms were not being used during the year.

#### **Recommendation**

Site personnel should receive training in the preparation of the financial statements. The District should implement and enforce policies and procedures with regards to internal controls over student body activities. Also, the District should monitor the site's financial activity ensuring that fiscal accountability is maintained.

#### **Current Status**

Implemented.

## **PERRIS UNION HIGH SCHOOL DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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**2007-4      30000**

#### ***California Military Institute***

##### **Findings**

1. Financial statements for the entire year could not be obtained from the site.
2. All disbursements made during the year lacked proper approval and supporting documentation.
3. Cash receipts are not properly documented.
4. Revenue potential forms and other sales recaps were not prepared for fundraising events.
5. Student council minutes were incomplete.
6. Purchase orders or approval forms were not used.
7. Poor physical control over tickets.
8. Club accounts are not separately tracked.
9. Invoices are not cancelled after payment has been made.
10. Internal controls are not in place over the student store activities.
11. Deposits made to the bookkeeper from the student store were not timely.

##### **Recommendation**

Site personnel should receive training in the preparation of the financial statements. The District should implement and enforce policies and procedures with regards to internal controls over student body activities. Also, the District should monitor the site's financial activity ensuring that fiscal accountability is maintained.

##### **Current Status**

Partially implemented, see current year management letter.

**2007-5      30000**

#### ***SITE CASH COLLECTIONS***

#### ***Perris High School***

##### **Findings**

Deposits are not being made timely to the District Office. For the fourteen receipts tested, cash had been held at the site for 141 - 154 days before being sent to the District. This could result in large cash balances being maintained at the school site which decreases the safeguarding of the asset.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### Recommendation

At a minimum, deposits should be made monthly to minimize the amount of cash held at the site. During times of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

### Current Status

Implemented.

2007-6      40000

### *CHOICE 2000 ONLINE HIGH SCHOOL*

### Finding

The District has been reporting operations for an on-line charter school for the past several years. This charter school is in effect a seat time program with contemporaneous attendance records and a regular course bell schedule. There are no independent study contracts maintained for the students enrolled in the program, however the charter does have an SB 740 funding determination thereby designating the charter as a non-classroom based charter. Due to the nature of the program we are unable to audit the charter through application of regular independent study audit procedures as required by the California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California Education Code and in compliance with Article 5.5 Sections 51745 through 51749.3 of the California Education Code. We did however, apply audit procedures that would be consistent with a seat time program and found that the attendance records were properly maintained. Based upon the California Department of Education determination, independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore all 146.87 ADA reported by the school for 2006-07 should be considered non-allowable for funding purposes. Per the certified July 2, 2007, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$950,396 at \$6,471 per ADA, and the Categorical per ADA Block Grant Funding was \$58,748, at \$400 per ADA.

### 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 2006-07 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 finding and recommendation 2008-1.



Governing Board  
Perris Union High School District  
Perris, California

In planning and performing our audit of the financial statements of Perris Union High School District, for the year ended June 30, 2008, 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 19, 2008, on the government-wide financial statements of Perris Union High School District.

### ***CURRENT YEAR FINDINGS AND RECOMMENDATIONS***

#### ***ASSOCIATED STUDENT BODY (ASB) FUNDS***

##### ***California Military Institute***

##### **Findings**

- Of the 63 disbursements to game officials reviewed, 12 did not have the proper supporting form, five contained only one of the two required signatures on the check and none of them had the appropriate authorization by the Athletic Director.
- Of the 11 disbursements to vendors reviewed, 10 did not have appropriate approvals, 8 did not have the appropriate supporting documentation and one did not have one of the two required signatures on the check.
- Checks are being signed prior to preparation; a voided check was discovered with both signatures, but no date or vendor name.
- Of the 11 deposits reviewed, two were not recorded on the general ledger and four were not supported by proper documentation.
- Of the 11 cash count forms reviewed, five could not be traced to a deposit, and three did not contain the required two signatures.
- Student council minutes were not properly maintained throughout the year.

##### **Recommendation**

The District should implement and enforce policies and procedures with regards to internal controls over student body activities. Also, the District should monitor the site's financial activity ensuring that fiscal accountability is maintained.



***Paloma Valley High School***

**Finding**

During our audit, the following internal control weaknesses were noted:

- Deposits were not being made timely, of the 30 receipts tested, 17 were held over 9 days.
- Per review of the general ledger, entries were not made in chronological order indicating activity is not posted immediately.
- No receipt was issued to the student store for the change fund at the beginning of the school year. An \$80 discrepancy between the amount per the ASB and the amount per the student store has resulted.
- A \$400 petty cash fund is not included on the ASB's balance sheet.
- A master ticket log is not being used by the site to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

**Recommendation**

The District should look into the situation at the site. Procedures should be outlined and explained to the site personnel. A periodic review should be made by the District of the site's progress towards the weaknesses mentioned above.

***SITE CASH***

***Perris Lake Continuation High School***

**Finding**

Deposits are not being made timely by the site bookkeeper to the District Office. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.

**Recommendation**

The District should look into the situation at the site. Procedures should be outlined and explained to the site personnel. A periodic review should be made by the District of the site's progress towards the weakness mentioned above.

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

*Vaurine K. Tring, Day & Co., LLP*  
Rancho Cucamonga, California  
December 19, 2008