



**PERRIS UNION HIGH  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2014**

# PERRIS UNION HIGH SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Perris Union High School District  
Perris, California

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 1 and 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison and other postemployment benefit information on pages 54 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perris Union High School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Perris Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perris Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California  
December 15, 2014



"Growing Together  
Through Education"

**2010-2011  
Advanced Placement  
Achievement District**

**Board of Trustees**

Edward Agundez  
Joan D. Cooley  
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**Tonya Davis**

Executive Director  
Human Resources

**Candace Reines**

Assistant Superintendent  
Business Services

**Marcy Savage**

Assistant Superintendent  
Educational Services

**Steve Swartz**

Assistant Superintendent  
Human Resources

**District Administration  
Center**

155 E. Fourth Street  
Perris, CA 92570  
951-943-6369

**Fax Numbers:**

Superintendent's Office  
951-940-5378  
Business Services  
951-940-5301  
Human Resources  
951-943-9852

**Student Services Center**

1151 N. A Street  
Perris, CA 92570  
951-943-6369  
Fax: 951-943-6799

**District Website:**

[www.puhsd.org](http://www.puhsd.org)

This section of Perris Union High School District's (the District) (2013-2014) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information from 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

### ***The Financial Statements***

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

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

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

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

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

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

**JUNE 30, 2014**

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### ***FINANCIAL HIGHLIGHTS OF THE PAST YEAR***

With the onset of the Local Control Funding Formula (LCFF) in 2013-2014 the school finance system has experienced the most dramatic change it has seen since the creation of revenue limits and categorical programs in 1972. It moves California to a weighted student funding methodology. LCFF replaces revenue limits and most state categorical programs. It began in 2013-2014 and is estimated to take eight years to full implementation of the target-funding amount. LCFF is made up of two basic funding amounts; a Base Grant which is an amount that is the same for every local educational agency with adjustments based on grade level, and a Supplemental Grant which is an amount provided to address needs of English Learners, low income, and foster youth. With this new funding source there is built in accountability linked to a locally developed plan designed to achieve identified goals called the Local Control and Accountability Plan (LCAP). This is intended to be transparent and engage the school community. The budget is developed explicitly linked to LCAP goals and activities. Annual review of progress and updating of the LCAP is also required. Under LCFF, funds are not restricted in the categorical program sense, but are generated by eligible students and are intended to be used to improve and increase services for those students. Accountability for demonstrating how funds are used to support student needs is explicitly required as part of the LCAP.

During 2013-2014, the District has continued to improve upon student attendance goals and the implementation processes that resulted in higher student in-seat time. This result was threefold, higher student test scores, an increase to graduation rates, and an increase in LCFF funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs.

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

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

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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, 2014**

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

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

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

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

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

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

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

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

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position*. 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, 2014

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### *THE DISTRICT AS A WHOLE*

#### *Net Position*

The District's net position was \$196,815,576 for the fiscal year ended June 30, 2014. Of this amount, \$(4,782,032) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	<u>Governmental Activities</u>	
		2013
	<u>2014</u>	<u>*As Restated</u>
<b>Assets</b>		
Current and other assets	\$ 85,486,958	\$ 42,316,995
Capital assets	<u>256,111,938</u>	<u>239,518,570</u>
<b>Total Assets</b>	<u>341,598,896</u>	<u>281,835,565</u>
<b>Liabilities</b>		
Current liabilities	28,980,681	10,871,565
Long-term obligations (includes current portion)	<u>115,802,639</u>	<u>82,154,491</u>
<b>Total Liabilities</b>	<u>144,783,320</u>	<u>93,026,056</u>
<b>Net Position</b>		
Net investment in capital assets	173,973,792	171,761,626
Restricted	27,623,816	21,542,229
Unrestricted	<u>(4,782,032)</u>	<u>(4,494,346)</u>
<b>Total Net Position</b>	<u>\$ 196,815,576</u>	<u>\$ 188,809,509</u>

The \$(4,782,032) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### *Changes in Net Position*

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

**Table 2**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,254,006	\$ 1,812,686
Operating grants and contributions	17,396,617	18,009,525
Capital grants and contributions	11,524,538	1,511,330
General revenues:		
Federal and State aid, not restricted	56,193,321	43,612,490
Property taxes	26,542,652	29,336,012
Other general revenues	4,776,865	652,937
<b>Total Revenues</b>	<u>119,687,999</u>	<u>94,934,980</u>
<b>Expenses</b>		
Instruction	61,526,505	51,955,831
Instruction-related	10,635,165	10,078,623
Pupil services	11,285,899	10,506,082
Administration	7,159,185	6,869,465
Maintenance and operations	10,607,739	8,931,030
Other	10,467,439	5,555,956
<b>Total Expenses</b>	<u>111,681,932</u>	<u>93,896,987</u>
<b>Change in Net Position</b>	<u>\$ 8,006,067</u>	<u>\$ 1,037,993</u>

### *Governmental Activities*

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$111,681,932. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$26,542,652. The remaining cost was paid by those who benefited from the programs; \$3,254,006, or by other governments and organizations who subsidized certain programs with \$28,921,155 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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	
	2014	2013	2014	2013
Instruction and instruction-related	\$ 72,161,670	\$ 62,034,454	\$ 49,367,841	\$ 48,589,612
Pupil services	11,285,899	10,506,082	5,777,323	4,604,438
Administration	7,159,185	6,869,465	5,990,335	6,045,205
Maintenance and operations	10,607,739	8,931,030	10,595,519	8,923,685
Other outgo	10,467,439	5,555,956	7,775,753	4,400,506
<b>Total</b>	<b>\$ 111,681,932</b>	<b>\$ 93,896,987</b>	<b>\$ 79,506,771</b>	<b>\$ 72,563,446</b>

***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$57,749,817 which is an increase of \$25,587,413 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 01, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 11,337,608	\$ 84,511,616	\$ 86,072,258	\$ 9,776,966
Building Fund	-	35,533,514	15,012,881	20,520,633
County School Facilities Fund	3,871,968	7,484,062	4,311,634	7,044,396
Non-Major Governmental Funds	16,952,828	33,340,696	29,885,702	20,407,822
<b>Total</b>	<b>\$ 32,162,404</b>	<b>\$ 160,869,888</b>	<b>\$ 135,282,475</b>	<b>\$ 57,749,817</b>

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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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 by \$1,560,642. The net decrease is primarily due to a slight increase in expenditures relating to the implementation of the Local Control Accountability Plan (LCAP).
2. The Charter School Fund balance decreased by \$182,473. The net decrease is primarily due to a slight increase in expenditures relating to the implementation of the Local Control Accountability Plan (LCAP).
3. The Capital Facilities Fund, County School Facilities Fund, Capital Projects Fund for Blended Component Units and Bond Interest and Redemption Fund decreased by \$33,729,138 collectively due to ongoing facilities projects.

### *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 54.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *Capital Assets*

At June 30, 2014, the District had \$256,111,938 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 \$16,593,368 or 6.93 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 27,668,957	\$ 37,635,791
Buildings and improvements, net of depreciation	225,262,003	198,156,016
Furniture and equipment, net of depreciation	3,180,978	3,726,763
<b>Total</b>	<b>\$ 256,111,938</b>	<b>\$ 239,518,570</b>

This year's increase of \$16,593,368 is primarily a result of facilities improvement projects, including new construction and modernization projects.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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*Long-Term Obligations*

At the end of this year, the District had \$115,802,639 in long-term obligations outstanding versus \$82,154,491 last year, an increase of 40.96 percent. These long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 95,753,383	\$ 61,191,547
Certificates of participation	7,385,000	7,685,000
Qualified school construction bonds	1,811,530	1,927,433
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	2,270,626	2,788,567
Other	3,582,100	3,561,944
<b>Total</b>	<b>\$ 115,802,639</b>	<b>\$ 82,154,491</b>

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

***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014***

Accomplishments supporting student learning throughout the 2013-2014 school year included the successful rollout of a one-to-one device initiative for all students under the Scholar + teaching and learning plan. Heritage High School was recognized as an AVID National Demonstration School. Pinacate Middle School, Paloma Valley High School, and Heritage High School were selected to present at RCOE Model of Excellence and recognized for their excellence in the categories of High School Counseling, the use of technology in the classroom, and the implementation of a Positive Behavior Intervention and Support program for middle school students.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014**

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

In considering the District Budget for the 2014-2015 year, the governing board and management used the following criteria at adoption:

District enrollment of 9,586, and the Charter Schools enrollment of 969, is projected to be 10,555 in total. This represented an increase of 1.2 percent District-wide. Overall District Average Daily Attendance (ADA) including charters is projected to be 9,931.88. This represents an increase of 100.6 ADA.

Lottery funding for 2014-2015 is projected to be \$162.00 per prior-year annual ADA. This per-pupil rate reflects \$128.00 per pupil for unrestricted lottery revenues and \$34.00 per pupil for lottery funding restricted to the purchase of instructional materials.

LCFF was calculated at \$8,316 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 0.85 percent and is a 13.16 percent increase to the 2013-2014 LCFF entitlement.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Candace Reines, Assistant Superintendent, Business Services, at Perris Union High School District, 155 E. 4<sup>th</sup> Street, Perris, California 92570, or e-mail at [candace.reines@puhsd.org](mailto:candace.reines@puhsd.org).

# PERRIS UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 59,095,183
Receivables	25,440,859
Prepaid expenditures	927,844
Stores inventories	23,072
Capital assets	
Land and construction in process	27,668,957
Other capital assets	301,488,879
Accumulated depreciation	(73,045,898)
Total Capital Assets	<u>256,111,938</u>
<b>Total Assets</b>	<u><u>341,598,896</u></u>
<b>LIABILITIES</b>	
Accounts payable	27,708,617
Interest payable	1,243,540
Unearned revenue	28,524
Long-term obligations	
Current portion of long-term obligations	6,799,153
Noncurrent portion of long-term obligations	<u>109,003,486</u>
Total Long-Term Obligations	<u>115,802,639</u>
<b>Total Liabilities</b>	<u><u>144,783,320</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	173,973,792
Restricted for:	
Debt service	11,333,533
Capital projects	10,391,332
Educational programs	3,583,936
Other activities	2,315,015
Unrestricted	<u>(4,782,032)</u>
<b>Total Net Position</b>	<u><u>\$ 196,815,576</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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 61,526,505	\$ 119,437	\$ 10,106,361	\$ 11,524,538	\$ (39,776,169)
Instruction-related activities:					
Supervision of instruction	2,012,246	6,305	1,002,572	-	(1,003,369)
Instructional library, media and technology	652,184	-	4,517	-	(647,667)
School site administration	7,970,735	4,257	25,842	-	(7,940,636)
Pupil services:					
Home-to-school transportation	2,701,397	174	4,811	-	(2,696,412)
Food services	3,705,677	529,621	3,985,737	-	809,681
All other pupil services	4,878,825	14,483	973,750	-	(3,890,592)
Administration:					
Data processing	1,721,991	-	53	-	(1,721,938)
All other administration	5,437,194	173,770	995,027	-	(4,268,397)
Plant services	10,607,739	5,150	7,070	-	(10,595,519)
Ancillary services	1,894,152	-	8,299	-	(1,885,853)
Community services	844	-	300	-	(544)
Interest on long-term obligations	7,231,068	-	-	-	(7,231,068)
Other outgo	1,341,375	2,400,809	282,278	-	1,341,712
<b>Total Governmental Activities</b>	<b>\$ 111,681,932</b>	<b>\$ 3,254,006</b>	<b>\$ 17,396,617</b>	<b>\$ 11,524,538</b>	<b>(79,506,771)</b>
General revenues and subventions:					
					18,062,134
					7,914,246
					566,272
					56,193,321
					52,419
					4,724,446
					<u>87,512,838</u>
					<u>8,006,067</u>
					<u>189,540,767</u>
					<u>(731,258)</u>
					<u>188,809,509</u>
					<u>\$ 196,815,576</u>

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 8,760,532	\$ 21,306,379	\$ 9,803,178
Receivables	21,002,367	20,374	1,511,600
Due from other funds	1,614,810	2,232,173	43,831
Prepaid expenditures	901,861	-	-
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 32,279,570</b>	<b>\$ 23,558,926</b>	<b>\$ 11,358,609</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 22,218,245	\$ 3,027,460	\$ -
Due to other funds	281,936	10,833	4,314,213
Unearned revenue	2,423	-	-
<b>Total Liabilities</b>	<b>22,502,604</b>	<b>3,038,293</b>	<b>4,314,213</b>
<b>FUND BALANCES</b>			
Nonspendable	926,861	-	-
Restricted	3,405,681	20,520,633	7,044,396
Assigned	2,917,830	-	-
Unassigned	2,526,594	-	-
<b>Total Fund Balances</b>	<b>9,776,966</b>	<b>20,520,633</b>	<b>7,044,396</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,279,570</b>	<b>\$ 23,558,926</b>	<b>\$ 11,358,609</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 19,225,094	\$ 59,095,183
2,906,518	25,440,859
2,535,189	6,426,003
25,983	927,844
23,072	23,072
<u>\$ 24,715,856</u>	<u>\$ 91,912,961</u>
\$ 2,462,912	\$ 27,708,617
1,819,021	6,426,003
26,101	28,524
<u>4,308,034</u>	<u>34,163,144</u>
46,869	973,730
18,417,279	49,387,989
1,943,674	4,861,504
-	2,526,594
<u>20,407,822</u>	<u>57,749,817</u>
<u>\$ 24,715,856</u>	<u>\$ 91,912,961</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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<b>Total Fund Balance - Governmental Funds</b>		\$ 57,749,817
<b>Amounts Reported for Governmental Activities in the Statement of Net Position 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:	\$ 329,157,836	
Accumulated depreciation is:	<u>(73,045,898)</u>	
Net Capital Assets		256,111,938
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.		(1,243,540)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	83,862,260	
Certificates of participation	7,385,000	
Qualified school construction bonds	1,811,530	
QZAB lease purchase agreement	5,000,000	
Capital leases	2,270,626	
Compensated absences (vacations)	330,871	
Supplemental employee retirement plan (SERP)	2,311,229	
Choice 2000 settlement agreement	940,000	
Unamortized premium	453,009	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>11,438,114</u>	
Total Long-Term Obligations		<u>(115,802,639)</u>
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 196,815,576</u></u>

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 65,329,728	\$ -	\$ -
Federal sources	7,217,338	-	-
Other State sources	6,767,710	-	7,470,014
Other local sources	5,196,840	80,505	(27,205)
<b>Total Revenues</b>	<u>84,511,616</u>	<u>80,505</u>	<u>7,442,809</u>
<b>EXPENDITURES</b>			
Current			
Instruction	49,935,256	-	-
Instruction-related activities:			
Supervision of instruction	2,011,348	-	-
Instructional library, media, and technology	647,569	-	-
School site administration	6,081,955	-	-
Pupil services:			
Home-to-school transportation	2,701,397	-	-
Food services	551	-	-
All other pupil services	4,854,361	-	-
Administration:			
Data processing	1,636,864	-	-
All other administration	4,535,022	-	-
Plant services	9,639,660	-	-
Facility acquisition and construction	1,151,499	11,650,003	4,311,634
Ancillary services	1,632,384	-	-
Community services	844	-	-
Other outgo	608,811	-	-
Debt service			
Principal	310,559	-	-
Interest and other	310,559	2,125,583	-
<b>Total Expenditures</b>	<u>86,058,639</u>	<u>13,775,586</u>	<u>4,311,634</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<u>(1,547,023)</u>	<u>(13,695,081)</u>	<u>3,131,175</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	41,253
Other sources	-	35,453,009	-
Transfers out	(13,619)	(1,237,295)	-
<b>Net Financing Sources (Uses)</b>	<u>(13,619)</u>	<u>34,215,714</u>	<u>41,253</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,560,642)</u>	<u>20,520,633</u>	<u>3,172,428</u>
<b>Fund Balances - Beginning</b>	<u>11,337,608</u>	<u>-</u>	<u>3,871,968</u>
<b>Fund Balances - Ending</b>	<u>\$ 9,776,966</u>	<u>\$ 20,520,633</u>	<u>\$ 7,044,396</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,914,932	\$ 72,244,660
3,790,664	11,008,002
934,018	15,171,742
16,013,455	21,263,595
<u>27,653,069</u>	<u>119,687,999</u>
5,134,865	55,070,121
898	2,012,246
4,615	652,184
1,273,212	7,355,167
-	2,701,397
3,789,471	3,790,022
24,464	4,878,825
34,346	1,671,210
950,068	5,485,090
1,090,801	10,730,461
6,311,944	23,425,080
277,670	1,910,054
-	844
732,564	1,341,375
2,848,285	3,158,844
2,934,533	5,370,675
<u>25,407,736</u>	<u>129,553,595</u>
<u>2,245,333</u>	<u>(9,865,596)</u>
5,687,627	5,728,880
-	35,453,009
(4,477,966)	(5,728,880)
<u>1,209,661</u>	<u>35,453,009</u>
3,454,994	25,587,413
16,952,828	32,162,404
<u>\$ 20,407,822</u>	<u>\$ 57,749,817</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	25,587,413
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
<p>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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.</p> <p>This is the amount by which capital outlays exceeds depreciation in the period.</p>		
Capital outlays	\$	23,846,330
Depreciation expense		<u>(7,252,962)</u>
Net Expense Adjustment		16,593,368
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$7,740 and supplemental retirement earned was less than the amount used by \$927,584.</p>		
		919,844
<p>Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:</p>		
General obligation bonds		(35,000,000)
Premium for general obligation bonds		(453,009)
Other long term debt		(940,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:</p>		
General obligation bonds		2,225,000
Certificates of participation		300,000
Qualified school construction bonds		115,903
Capital lease obligations		517,941
<p>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 increased by \$526,566 and second, \$1,333,827 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.</p>		
		<u>(1,860,393)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>8,006,067</u></b>

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

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	<b>Fiduciary Funds</b>		
	<b>Debt Service Fund for Special Tax Bonds</b>	<b>Associated Student Bodies</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,654,007	\$ 658,808	\$ 8,312,815
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 658,808	\$ 658,808
Due to bond holders	7,654,007	-	7,654,007
<b>Total Liabilities</b>	<u>\$ 7,654,007</u>	<u>\$ 658,808</u>	<u>\$ 8,312,815</u>

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



# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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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, three high schools, a continuation school, a community day school, one charter school, 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 Perris Union High School District Financing Authority (the Authority), formed for the purpose of issuing debt related to the Community Facilities District 91-1 and the Community Facilities District 92-1 (the CFDs), financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFD's not are included as long-term obligations in the government-wide financial statements as they are not obligations of the District. Individually-prepared financial statements are not prepared for Perris Union High School District Financing Authority.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Other Related Entities

**Charter School** The District has an approved charter for California Military Institute pursuant to *Education Code* Section 47605. The charter school is operated by the District, and its financial activity is presented in the Charter School Fund.

### 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 the District. All transactions except those accounted for in another fund are accounted for in this 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.

**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), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

#### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**Charter Schools Fund** The Charter Schools 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.

**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.

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

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

**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).

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

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

**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.

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the Local Education Agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no proprietary funds.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds issued by the Community Facilities Districts as well as the 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 position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

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

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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

### **Investments**

Investments held at June 30, 2014, 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.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

### **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 Position. 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 Position.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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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 Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### **Fund Balances - Governmental Funds**

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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 position is available. The government-wide financial statements report \$27,623,816 of restricted net position.



# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### 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 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

### Property Tax

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

### Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$731,258. The decrease results from no longer deferring and amortizing bond issuance costs.

### **New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

## **PERRIS UNION HIGH SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 59,095,183
Fiduciary funds	8,312,815
Total Deposits and Investments	<u>\$ 67,407,998</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 3,760,407
Cash in revolving	25,000
Investments	63,622,591
Total Deposits and Investments	<u>\$ 67,407,998</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, 2014**

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**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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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	Maturity Date
Commercial Paper - F Car Owner Trust	\$ 4,202,499	N/A
First American Government Obligation Fund Class D	872,794	N/A
Money Market	7,967,925	N/A
Riverside County Investment Pool	50,669,294	500 days*
Total	<u>\$ 63,712,512</u>	

\* Weighted-average days to maturity.

**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 June 30, 2014	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	Not Rated	\$ 4,202,499
First American Government Obligation Fund Class D	Not Required	Not Rated	872,794
Money Market	Not Required	Not Rated	7,967,925
Riverside County Investment Pool	Not Required	AAA/V1	50,669,294
Total Investments			<u>\$ 63,712,512</u>

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance of \$5,868,371 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, 2014**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government					
Categorical aid	\$ 917,061	\$ -	\$ -	\$ 600,742	\$ 1,517,803
State Government					
Local Control Funding					
Formula	17,042,587	-	-	2,057,052	19,099,639
Categorical aid	172,470	-	1,503,275	35,905	1,711,650
Lottery	297,676	-	-	27,028	324,704
Local Government					
Interest	10,816	20,374	8,325	2,363	41,878
Other Local Sources	2,561,757	-	-	183,428	2,745,185
Total	<u>\$ 21,002,367</u>	<u>\$ 20,374</u>	<u>\$ 1,511,600</u>	<u>\$ 2,906,518</u>	<u>\$ 25,440,859</u>



**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in Progress	26,090,779	12,996,711	22,963,545	16,123,945
Total Capital Assets Not Being Depreciated	<u>37,635,791</u>	<u>12,996,711</u>	<u>22,963,545</u>	<u>27,668,957</u>
Capital Assets Being Depreciated:				
Land Improvements	16,973,757	2,035,615	-	19,009,372
Buildings	240,877,608	31,333,420	-	272,211,028
Equipment	9,824,350	444,129	-	10,268,479
Total Capital Assets Being Depreciated	<u>267,675,715</u>	<u>33,813,164</u>	<u>-</u>	<u>301,488,879</u>
Total Capital Assets	<u>305,311,506</u>	<u>46,809,875</u>	<u>22,963,545</u>	<u>329,157,836</u>
Less Accumulated Depreciation:				
Land Improvements	10,470,441	720,911	-	11,191,352
Buildings	49,224,908	5,542,137	-	54,767,045
Equipment	6,097,587	989,914	-	7,087,501
Total Accumulated Depreciation	<u>65,792,936</u>	<u>7,252,962</u>	<u>-</u>	<u>73,045,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 239,518,570</u>	<u>\$ 39,556,913</u>	<u>\$ 22,963,545</u>	<u>\$ 256,111,938</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 6,308,191
School site administration	815,523
Data processing	63,681
All other administration	6,528
Plant services	59,039
Total Depreciation Expenses All Activities	<u>\$ 7,252,962</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 299	\$ -	\$ 1,614,511	\$ 1,614,810
Building Fund	-	-	2,071,494	160,679	2,232,173
County School Facilities Fund	-	-	-	43,831	43,831
Non-Major Governmental Funds	281,936	10,534	2,242,719	-	2,535,189
Total	\$ 281,936	\$ 10,833	\$ 4,314,213	\$ 1,819,021	\$ 6,426,003

The balance of \$281,936 is due to the Non-Major Governmental Funds from the General Fund for In-Lieu of property taxes, MOE requirements and student apportionment.

The balance of \$2,071,494 is due to the Building Fund from the County School Facilities Fund to reimburse construction costs.

The balance of \$2,242,719 is due to the Non-Major Governmental Funds from the County School Facilities Fund for reimbursement of construction costs.

The balance of \$1,614,511 is due to the General Fund from the Non-Major Governmental Funds for 4 percent retroactive salary expenses.

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
County School Facilities Fund	\$ -	\$ -	\$ 41,253	\$ 41,253
Non-Major Governmental Funds	13,619	1,237,295	4,436,713	5,687,627
Total	\$ 13,619	\$ 1,237,295	\$ 4,477,966	\$ 5,728,880

The General Fund transferred to the Non-Major Adult Education Fund for salary expenses.	\$ 13,619
The Non-Major Capital Projects Fund Blended Component Units transferred to the Non-Major Capital Facilities Fund to reimburse for construction payments.	4,436,713
The Building Fund transferred to the Non-Major Capital Facilities Fund to reimburse for construction payments.	1,237,295
The Non-Major Capital Facilities Fund transferred to the County School Facilities Fund to reimburse for construction payments.	41,253
	<u>\$ 5,728,880</u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 10,336,402	\$ 161,363	\$ 47,302	\$ 10,545,067
Local control funding formula	11,611,479	-	1,280,569	12,892,048
Salaries and benefits	241,128	372	175,241	416,741
Construction	29,236	2,865,725	959,800	3,854,761
Total	\$ 22,218,245	\$ 3,027,460	\$ 2,462,912	\$ 27,708,617

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
State categorical aid	\$ 2,423	\$ 21,039	\$ 23,462
Other local	-	5,062	5,062
Total	<u>\$ 2,423</u>	<u>\$ 26,101</u>	<u>\$ 28,524</u>

**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, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General Obligation Bonds	\$ 61,191,547	\$ 36,333,827	\$ 2,225,000	\$ 95,300,374	\$ 4,789,945
Premium on bond	-	453,009	-	453,009	-
Certificates of Participation	7,685,000	-	300,000	7,385,000	310,000
Qualified school construction bonds	1,927,433	-	115,903	1,811,530	117,019
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	2,788,567	-	517,941	2,270,626	537,105
Compensated absences	323,131	7,740	-	330,871	-
SERP	3,238,813	-	927,584	2,311,229	927,584
OPEB Obligation	-	53,670	53,670	-	-
Choice 2000 settlement agreement	-	940,000	-	940,000	117,500
	<u>\$ 82,154,491</u>	<u>\$ 37,788,246</u>	<u>\$ 4,140,098</u>	<u>\$ 115,802,639</u>	<u>\$ 6,799,153</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 for Blended Component Units.

Payments for the Qualified School Construction Bonds are made from the Charter School Fund.

Payments on the QZAB Lease Purchase Agreement will be made from the AZAB Fund.

Payments for the Capital Leases are made from the General Fund.

Payments for Accumulated Vacation are typically liquidated in the General Fund and Non-Major Governmental Funds.

Payments for the SERP are made from the General Fund and Charter School Fund.

Payments for the OPEB obligation are made from the General Fund.

Payment for the Choice 2000 settlement agreement will be made from the General Fund.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Capital		Bonds Outstanding June 30, 2014
				Outstanding July 1, 2013	Issued	Appreciation	Redeemed	
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 6,327,619	\$ -	\$ 433,062	\$ -	\$ 6,760,681
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	8,054,543	-	436,457	-	8,491,000
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	1,800,000	-	-	1,120,000	680,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	39,256,723	-	423,874	715,000	38,965,597
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	5,752,662	-	40,434	390,000	5,403,096
7/23/13	9/1/27	2.00 - 4.25%	35,000,000		35,000,000	-	-	35,000,000
				<u>\$ 61,191,547</u>	<u>\$ 35,000,000</u>	<u>\$ 1,333,827</u>	<u>\$ 2,225,000</u>	<u>\$ 95,300,374</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, 2014, the principal balance outstanding was \$6,760,681.

### 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, 2014, the principal balance outstanding was \$8,491,000.

### 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, 2014, the principal balance outstanding was \$680,000.

### 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, 2014, the principal balance outstanding was \$38,965,597.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### 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, 2014, the principal balance outstanding was \$5,403,096.

### Election 2012, Series A General Obligation Bonds

In July 2013, the District issued \$35,000,000 in Election 2012, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. At June 30, 2014, the principal balance outstanding was \$35,000,000.

### Debt Service Requirements to Maturity

The bonds mature through 2030, as follows:

Fiscal Year	Principal			Total
	Including Accreted Interest to Date	Accreted Interest	Current Interest	
2015	\$ 4,789,945	\$ 1,395,761	\$ 3,337,044	\$ 9,522,750
2016	4,183,112	1,423,332	3,215,313	8,821,757
2017	4,527,040	1,428,399	3,077,688	9,033,127
2018	3,193,115	1,429,532	2,954,488	7,577,135
2019	3,497,571	1,426,157	2,851,738	7,775,466
2020-2024	21,697,640	6,718,435	12,308,222	40,724,297
2025-2029	25,833,801	4,500,851	8,056,428	38,391,080
2030-2034	6,763,150	262,159	6,117,275	13,142,584
2035-2039	9,465,000	-	4,175,594	13,640,594
2040-2043	11,350,000	-	1,194,250	12,544,250
Total	<u>\$ 95,300,374</u>	<u>\$ 18,584,626</u>	<u>\$ 47,288,040</u>	<u>\$ 161,173,040</u>

### Certificates of Participation

In December 2007, the District issued \$23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2014, is \$7,385,000.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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The certificates mature through 2031, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 310,000	\$ 304,494	\$ 614,494
2016	320,000	291,894	611,894
2017	335,000	278,794	613,794
2018	345,000	265,194	610,194
2019	360,000	251,094	611,094
2020-2024	2,050,000	1,020,791	3,070,791
2025-2029	2,500,000	547,781	3,047,781
2030-2031	1,165,000	52,988	1,217,988
Total	<u>\$ 7,385,000</u>	<u>\$ 3,013,030</u>	<u>\$ 10,398,030</u>

### Qualified School Construction Bonds

In October 2011, the District issued \$2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2014, is \$1,811,530.

The bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 117,019	\$ 99,277	\$ 216,296
2016	118,145	92,743	210,888
2017	119,282	86,147	205,429
2018	120,430	79,487	199,917
2019	121,588	72,763	194,351
2020-2024	625,720	260,666	886,386
2025-2029	589,346	82,591	671,937
Total	<u>\$ 1,811,530</u>	<u>\$ 773,674</u>	<u>\$ 2,585,204</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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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, 2014, US Bank held \$4,334,643 for the lease payment.

### Capital Leases

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

	<u>School Buses</u>
Balance, July 1, 2013	\$ 3,105,590
Payments	621,118
Balance, June 30, 2014	<u>\$ 2,484,472</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2015	\$ 621,118
2016	621,118
2017	621,118
2018	621,118
Total	<u>2,484,472</u>
Less: Amount Representing Interest	213,846
Present Value of Minimum Lease Payments	<u>\$ 2,270,626</u>



# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2014, include the following:

Land, buildings, and equipment	\$ 5,238,519
Less: Accumulated depreciation	(3,928,890)
Total	<u>\$ 1,309,629</u>

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

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$330,871.

### Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. Currently, there are 61 employees participating in this plan and the District's obligation to those retirees as of June 30, 2014, is \$2,311,229.

Year Ending June 30,	Payment
2015	\$ 927,584
2016	927,584
2017	283,346
2018	172,715
Total	<u>\$ 2,311,229</u>

### Other Postemployment Benefits (OPEB) Obligation

As of June 30, 2014, the District's did not have any OPEB obligation. See Note 10 for additional information regarding the OPEB obligation and the post employment benefits plan.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-10 for the 2005-2006 fiscal year shall be \$122,200.90, which sum represents approximately ten percent of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2014, the remaining total future payment due was approximately \$122,200. The repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2015	\$ 15,275
2016	15,275
2017	15,275
2018	15,275
2019	15,275
2020-2022	45,825
Total	<u>\$ 122,200</u>

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, ten percent of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of \$817,799.10. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2014, the remaining future payment due was approximately \$817,800, the repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2015	\$ 102,225
2016	102,225
2017	102,225
2018	102,225
2019	102,225
2020-2022	306,675
Total	<u>\$ 817,800</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	-	-	-	23,072	23,072
Prepaid expenditures	901,861	-	-	23,797	925,658
Total Nonspendable	<u>926,861</u>	<u>-</u>	<u>-</u>	<u>46,869</u>	<u>973,730</u>
<b>Restricted</b>					
Legally restricted programs	3,405,681	-	-	2,493,270	5,898,951
Capital projects	-	20,520,633	7,044,396	3,346,936	30,911,965
Debt services	-	-	-	12,577,073	12,577,073
Total Restricted	<u>3,405,681</u>	<u>20,520,633</u>	<u>7,044,396</u>	<u>18,417,279</u>	<u>49,387,989</u>
<b>Assigned</b>					
Other assignments	2,917,830	-	-	1,943,674	4,861,504
<b>Unassigned</b>					
Economic uncertainties	2,526,594	-	-	-	2,526,594
Total	<u>\$ 9,776,966</u>	<u>\$ 20,520,633</u>	<u>\$ 7,044,396</u>	<u>\$ 20,407,822</u>	<u>\$ 57,749,817</u>

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

**Plan Description**

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

**Contribution Information**

For fiscal year 2013-2014, the District contributed \$53,670 to the Plan, all of which was used for current premiums (100 percent of total premiums).

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 53,670
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>53,670</u>
Contributions made	<u>53,670</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 50,841	\$ 50,841	100%	\$ -
2013	53,670	53,670	100%	-
2014	53,670	53,670	100%	-

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2009	\$ -	\$ 422,309	\$ 422,309	0%	\$ -	0%

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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

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

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

#### **Property and Liability**

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2014, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

#### **Workers' Compensation**

For fiscal year 2014, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **Employee Medical Benefits**

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

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

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

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.

##### **Funding Policy**

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$3,252,737, \$2,919,110, and \$2,887,236, respectively, and equal 100 percent of the required contributions for each year.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

As a result of the implementation of the PEPRRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,234,372, \$2,101,239, and \$2,092,825, respectively, and equal 100 percent of the required contributions for each year.

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,852,452 (5.541 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

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

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

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

During the year ended June 30, 2014, the District made payments of \$1,370,856, \$7,273,681, and \$513,805 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

### NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 189,540,767
Restatement/cost of issuance	(731,258)
Net Position - Beginning as Restated	<u>\$ 188,809,509</u>



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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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u>
				<u>(Negative)</u>
				<u>Final to Actual</u>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 54,917,641	\$ 65,844,382	\$ 65,329,728	\$ (514,654)
Federal sources	6,736,489	7,161,109	7,217,338	56,229
Other State sources	9,622,771	4,905,518	6,767,710	1,862,192
Other local sources	5,154,546	4,935,761	5,196,840	261,079
<b>Total Revenues</b> <sup>1</sup>	<u>76,431,447</u>	<u>82,846,770</u>	<u>84,511,616</u>	<u>1,664,846</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	32,520,039	36,459,809	36,264,531	195,278
Classified salaries	11,195,517	12,411,597	12,473,180	(61,583)
Employee benefits	14,801,997	15,385,111	17,028,986	(1,643,875)
Books and supplies	5,035,253	5,854,800	5,995,453	(140,653)
Services and operating expenditures	12,573,359	13,188,350	12,386,323	802,027
Capital outlay	1,335,250	1,220,036	1,239,295	(19,259)
Other outgo	(557,828)	616,214	49,753	566,461
Debt service				
Principal	499,461	310,559	310,559	-
Interest	121,657	310,559	310,559	-
<b>Total Expenditures</b> <sup>1</sup>	<u>77,524,705</u>	<u>85,757,035</u>	<u>86,058,639</u>	<u>(301,604)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,093,258)</u>	<u>(2,910,265)</u>	<u>(1,547,023)</u>	<u>1,363,242</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(13,619)	(13,619)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,093,258)</u>	<u>(2,923,884)</u>	<u>(1,560,642)</u>	<u>1,363,242</u>
<b>Fund Balance - Beginning</b>	<u>11,337,608</u>	<u>11,337,608</u>	<u>11,337,608</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 10,244,350</u>	<u>\$ 8,413,724</u>	<u>\$ 9,776,966</u>	<u>\$ 1,363,242</u>

<sup>1</sup> On behalf payments of \$1,852,452 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2014**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2009	\$ -	\$ 422,309	\$ 422,309	0%	\$ -	0%

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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, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 6,922
Adult Basic Education - Adult Secondary	84.002	13978	<u>39,808</u>
Total Adult Education - Basic Grants to States Cluster			<u>46,730</u>
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	277,206
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA):			
State Improvement Grant, Improving Special Education Systems	84.323	14920	2,689
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,228,710
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	<u>59,721</u>
Total Special Education (IDEA) Cluster			<u>1,288,431</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14981	4,309,668
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	65,340
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	331,560
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	859
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	174,898
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	<u>572,103</u>
Total U.S. Department of Education			<u>7,069,484</u>

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 690,239
National School Lunch Program	10.555	13524	2,677,255
Meal Supplement	10.555	13396	8,801
Summer Food Service Program	10.559	13004	74,995
Food Distribution	10.555	13524	<u>260,981</u>
Total Child Nutrition Cluster			<u>3,712,271</u>
Child and Adult Care Food Program	10.558	13393	<u>31,663</u>
Total U.S. Department of Agriculture			<u>3,743,934</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>139,308</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	5,943
Medi-Cal Administrative Activities Program	93.778	10060	<u>97,157</u>
Total U.S. Department of Health and Human Services			<u>103,100</u>
Total Federal Programs			<u>\$ 11,055,826</u>

[1] Direct funded program.

See accompanying note to supplementary information.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014**

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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, three high schools, a continuation school, a community day school, one charter school, 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>
William F. Hulstrom	President	2014
Joan D. Cooley	Vice President	2016
David Nelissen	Clerk	2014
Edward Agundez	Member	2016
Carolyn A. Twyman	Member	2016

### **ADMINISTRATION**

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Assistant Superintendent, Business Services
Marcy Savage	Assistant Superintendent, Educational Services
Steve Swartz	Assistant Superintendent, Human Resources
Tonya Davis	Executive Director of Human Resources
Chris Rabing	Director of Fiscal Services

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	1,076.65	1,079.91
Ninth through twelfth	7,602.30	7,541.33
Total Regular ADA	<u>8,678.95</u>	<u>8,621.24</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.06	1.00
Ninth through twelfth	15.02	14.57
Total Special Education, Nonpublic, Nonsectarian Schools	<u>16.08</u>	<u>15.57</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>1.11</u>	<u>1.11</u>
Community Day School		
Seventh and eighth	5.91	6.81
Ninth through twelfth	42.87	48.29
Total Community Day School	<u>48.78</u>	<u>55.10</u>
Total ADA	<u>8,744.92</u>	<u>8,693.02</u>
<b>CHARTER SCHOOL</b>		
Regular ADA		
Fourth through sixth	180.78	179.30
Seventh and eighth	317.78	309.29
Ninth through twelfth	489.23	472.37
Total Regular ADA	<u>987.79</u>	<u>960.96</u>
Classroom based ADA		
Fourth through sixth	177.58	177.02
Seventh and eighth	310.04	303.73
Ninth through twelfth	411.88	407.06
Total Classroom Based ADA	<u>899.50</u>	<u>887.81</u>

California Military Institute did operate a non-classroom based program.

See accompanying note to supplementary information.



**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2014**

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**District**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
				<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000	52,500				
Grade 7			55,380	180	N/A	Complied
Grade 8			55,380	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,552	180	N/A	Complied
Grade 10			65,552	180	N/A	Complied
Grade 11			65,552	180	N/A	Complied
Grade 12			65,552	180	N/A	Complied

**California Military Institute**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
				<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000	52,547				
Grade 7			55,380	180	N/A	Complied
Grade 8			55,380	180	N/A	Complied
Grades 9 - 12	64,800	62,949				
Grade 9			65,552	180	N/A	Complied
Grade 10			65,552	180	N/A	Complied
Grade 11			65,552	180	N/A	Complied
Grade 12			65,552	180	N/A	Complied

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>County School Facilities</u>
FUND BALANCE			
Balance, June 30, 2013, Unaudited Financial Statement	\$ 2,748,196	\$ 21,024,489	\$ 11,084,871
Increase in:			
Accounts payable	-	(503,856)	-
Decrease in:			
Cash in banks	(410,109)	-	-
Accounts Receivables	-	-	(4,040,475)
Balance, June 30, 2014, Audited Financial Statement	<u>\$ 2,338,087</u>	<u>\$ 20,520,633</u>	<u>\$ 7,044,396</u>

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 <sup>1</sup>	2014	2013	2012
<b>GENERAL FUND</b>				
Revenues	\$ 86,508,122	\$ 84,511,616	\$ 77,444,976	\$ 76,730,642
Other sources	-	-	-	1,066
Total Revenues and Other Sources	86,508,122	84,511,616	77,444,976	76,731,708
Expenditures	88,657,107	86,058,639	74,570,275	80,990,715
Other uses and transfers out	75,073	13,619	-	-
Total Expenditures and Other Sources	88,732,180	86,072,258	74,570,275	80,990,715
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (2,224,058)</b>	<b>\$ (1,560,642)</b>	<b>\$ 2,874,701</b>	<b>\$ (4,259,007)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 7,552,908</b>	<b>\$ 9,776,966</b>	<b>\$ 11,337,608</b>	<b>\$ 8,462,907</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 2,661,966</b>	<b>\$ 2,526,594</b>	<b>\$ 3,628,191</b>	<b>\$ 2,371,880</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>3.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>3.00%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>N/A</b>	<b>\$115,802,639</b>	<b>\$ 82,154,491</b>	<b>\$ 82,993,848</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2<sup>4</sup></b>	<b>8,837</b>	<b>8,745</b>	<b>8,835</b>	<b>8,969</b>

The General Fund balance has increased by \$1,314,059 over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$2,224,058 (22.75 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 2014-2015 fiscal year. Total long-term obligations have increased by \$32,808,791 over the past two years.

Average daily attendance has decreased by 224 over the past two years. Growth of 92 ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 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 \$1,852,452, \$2,006,466, and \$1,928,077, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012, respectively.

<sup>4</sup> Excludes Charter School ADA.

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Military Institute	Yes

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<b>Charter Schools Fund</b>	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 1,851,224	\$ 1,359	\$ 1,914,518	\$ 1,153,804
Receivables	2,264,873	23,462	617,577	563
Due from other funds	256,608	21,504	3,824	2,253,253
Prepaid expenses	23,797	-	2,186	-
Stores inventories	-	-	23,072	-
<b>Total Assets</b>	<b>\$ 4,396,502</b>	<b>\$ 46,325</b>	<b>\$ 2,561,177</b>	<b>\$ 3,407,620</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,464,894	\$ -	\$ 15,355	\$ 982,663
Due to other funds	780,999	46,325	186,517	805,180
Unearned revenue	4,883	-	21,218	-
<b>Total Liabilities</b>	<b>2,250,776</b>	<b>46,325</b>	<b>223,090</b>	<b>1,787,843</b>
<b>Fund Balances:</b>				
Nonspendable	23,797	-	23,072	-
Restricted	178,255	-	2,315,015	1,619,777
Assigned	1,943,674	-	-	-
<b>Total Fund Balances</b>	<b>2,145,726</b>	<b>-</b>	<b>2,338,087</b>	<b>1,619,777</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,396,502</b>	<b>\$ 46,325</b>	<b>\$ 2,561,177</b>	<b>\$ 3,407,620</b>

See accompanying note to supplementary information.

<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Debt Service Fund</b>	<b>Debt Service Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,727,159	\$ 7,613,427	\$ 4,334,643	\$ 3,578	\$ 625,382	\$ 19,225,094
-	-	-	43	-	2,906,518
-	-	-	-	-	2,535,189
-	-	-	-	-	25,983
-	-	-	-	-	23,072
<u>\$ 1,727,159</u>	<u>\$ 7,613,427</u>	<u>\$ 4,334,643</u>	<u>\$ 3,621</u>	<u>\$ 625,382</u>	<u>\$ 24,715,856</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,462,912
-	-	-	-	-	1,819,021
-	-	-	-	-	26,101
-	-	-	-	-	4,308,034
-	-	-	-	-	46,869
1,727,159	7,613,427	4,334,643	3,621	625,382	18,417,279
-	-	-	-	-	1,943,674
<u>1,727,159</u>	<u>7,613,427</u>	<u>4,334,643</u>	<u>3,621</u>	<u>625,382</u>	<u>20,407,822</u>
<u>\$ 1,727,159</u>	<u>\$ 7,613,427</u>	<u>\$ 4,334,643</u>	<u>\$ 3,621</u>	<u>\$ 625,382</u>	<u>\$ 24,715,856</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Charter Schools Fund</b>	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 6,914,932	\$ -	\$ -	\$ -
Federal sources	-	46,730	3,743,934	-
Other State sources	544,929	-	273,696	-
Other local sources	277,618	11,340	581,359	2,605,973
<b>Total Revenues</b>	<u>7,737,479</u>	<u>58,070</u>	<u>4,598,989</u>	<u>2,605,973</u>
<b>EXPENDITURES</b>				
Current				
Instruction	5,086,379	48,486	-	-
Instruction-related activities:				
Supervision of instruction	898	-	-	-
Instructional library, media, and technology	4,615	-	-	-
School site administration	1,250,419	22,793	-	-
Pupil services:				
Food services	-	-	3,789,471	-
All other pupil services	24,464	-	-	-
Administration:				
Data processing	34,346	-	-	-
All other general administration	400,767	-	182,154	367,147
Plant services	586,136	410	66	504,189
Facility acquisition and construction	32,607	-	-	6,279,337
Ancillary services	277,670	-	-	-
Other outgo	-	-	-	-
Debt service				
Principal	221,651	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>7,919,952</u>	<u>71,689</u>	<u>3,971,691</u>	<u>7,150,673</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<u>(182,473)</u>	<u>(13,619)</u>	<u>627,298</u>	<u>(4,544,700)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	13,619	-	5,674,008
Transfers out	-	-	-	(41,253)
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>13,619</u>	<u>-</u>	<u>5,632,755</u>
<b>NET CHANGE IN FUND BALANCES</b>				
<b>Fund Balances - Beginning</b>	2,328,199	-	1,710,789	531,722
<b>Fund Balances - Ending</b>	<u>\$ 2,145,726</u>	<u>\$ -</u>	<u>\$ 2,338,087</u>	<u>\$ 1,619,777</u>

See accompanying note to supplementary information.

<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>QZAB Fund</b>	<b>Debt Service Fund</b>	<b>Debt Service Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,914,932
-	-	-	-	-	3,790,664
-	115,393	-	-	-	934,018
3,557,618	8,182,246	180,336	616,912	53	16,013,455
<u>3,557,618</u>	<u>8,297,639</u>	<u>180,336</u>	<u>616,912</u>	<u>53</u>	<u>27,653,069</u>
-	-	-	-	-	5,134,865
-	-	-	-	-	898
-	-	-	-	-	4,615
-	-	-	-	-	1,273,212
-	-	-	-	-	3,789,471
-	-	-	-	-	24,464
-	-	-	-	-	34,346
-	-	-	-	-	950,068
-	-	-	-	-	1,090,801
-	-	-	-	-	6,311,944
-	-	-	-	-	277,670
732,564	-	-	-	-	732,564
-	2,326,634	-	300,000	-	2,848,285
-	2,617,839	-	316,694	-	2,934,533
<u>732,564</u>	<u>4,944,473</u>	<u>-</u>	<u>616,694</u>	<u>-</u>	<u>25,407,736</u>
<u>2,825,054</u>	<u>3,353,166</u>	<u>180,336</u>	<u>218</u>	<u>53</u>	<u>2,245,333</u>
-	-	-	-	-	5,687,627
(4,436,713)	-	-	-	-	(4,477,966)
<u>(4,436,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,209,661</u>
(1,611,659)	3,353,166	180,336	218	53	3,454,994
3,338,818	4,260,261	4,154,307	3,403	625,329	16,952,828
<u>\$ 1,727,159</u>	<u>\$ 7,613,427</u>	<u>\$ 4,334,643</u>	<u>\$ 3,621</u>	<u>\$ 625,382</u>	<u>\$ 20,407,822</u>



**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2014. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 11,008,002
Medi-Cal Billing Option	93.778	(29,333)
Medi-Cal Administrative Activities Program	93.778	77,157
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,055,826</u>

**Local Education Agency Organization Structure**

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

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014**

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 the 1986-87 requirements, as required by *Education Code* Section 46201.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Perris Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2014.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 1 and 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California  
December 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Perris Union High School District  
Perris, California

**Report on Compliance for Each Major Federal Program**

We have audited Perris Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's (the District) major Federal programs for the year ended June 30, 2014. Perris Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Perris Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Perris Union High School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California  
December 15, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Perris Union High School District  
Perris, California

### Report on State Compliance

We have audited Perris Union High School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Perris Union High School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Perris Union High School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

### Unmodified Opinion on Each of the Programs

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.



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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	No, See Below
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, See Below
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based Instruction	3	Yes
Annual Instruction Minutes Classroom-Based	4	Yes
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Independent Study because ADA was below the level required for testing. Additionally we did not perform testing for the California Clean Energy Jobs Act because no expenditures were noted in the current year for the funds that were received.

*Vavrinek, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
December 15, 2014

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

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**PERRIS UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education (IDEA) Cluster</u>
<u>10.553,10.555, and 10.559</u>	<u>Child Nutrition Cluster Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 331,675</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**PERRIS UNION HIGH SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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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.

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	40000	State Compliance
<b>2013-1</b>	<b>40000</b>	
	<b><i>CHOICE 2000 ONLINE HIGH SCHOOL</i></b>	
	<b>Finding</b>	
	The California Code of Regulations, Title 5, pursuant to Section 47612.5 of the California <i>Education Code</i> and in compliance with Article 5.5 Section 51745 through 51749.3 of the California <i>Education Code</i> requires that a Non-Classroom Based Charter Program utilize Independent Study attendance accounting procedures.	
	Independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 180.16 ADA reported by the school for 2012-2013 should be considered non-allowable for funding purposes. Per the certified June 15, 2012, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,114,830 at \$6,188 x 180.16 ADA for grades 9 through 12, and the Categorical per ADA Block Grant Funding was \$74,141 at \$500 per ADA, adjusted by the State proration factor. The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.	
	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.	
	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.	
	<b>Recommendation</b>	
	The California Code of Regulation, Title 5, pursuant to Section 47612.5 of the California <i>Education Code</i> and in compliance with Article 5.5 Section 51745 through 51749.3 of the California <i>Education Code</i> requires that a non-classroom based charter program utilize Independent Study attendance accounting procedures. In order to avoid future penalty, we recommend that the District establish procedures of attendance accounting to be in compliance with the California <i>Education Code</i> .	
	<b>Current Status</b>	
	Implemented.	