



**PERRIS UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

PERRIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' 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, 2013, 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 2012-2013*, 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the budgetary comparison information and other postemployment benefits information on pages on pages 53 and 54 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 *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 (Circular A-133)* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as referenced in the previous paragraph 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 *Schedule of Expenditures of Federal Awards* and other supplementary information listed in the table of contents 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 9, 2013, 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 9, 2013



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Through Education"

**2010-2011
Advanced Placement
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This section of Perris Union High School District's (the District) (2012-2013) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013, with comparative information from 2012. 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, 2013

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's revenues were once again reduced considerably this past year due to the economy of the State. As a result, further budget reductions were implemented during the 2012-2013 school year. Limited resources were once again reevaluated and directed toward maintaining strong educational programs for the students served by the District. During 2012-2013, the District set student attendance goals and implemented processes that resulted in higher student in-seat time. This result was twofold, higher student test scores and an increase in Revenue Limit funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs.

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.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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, 2013

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$189,540,767 for the fiscal year ended June 30, 2013. Of this amount, \$(4,494,346) 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

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 43,048,253	\$ 59,877,536
Capital assets	239,518,570	219,267,244
Total Assets	282,566,823	279,144,780
Liabilities		
Current liabilities	10,871,565	7,648,158
Long-term obligations (includes current portion)	82,154,491	82,993,848
Total Liabilities	93,026,056	90,642,006
Net Position		
Net investment in capital assets	171,761,626	140,095,275
Restricted	22,273,487	47,263,954
Unrestricted	(4,494,346)	1,143,545
Total Net Position	\$ 189,540,767	\$ 188,502,774

The \$(4,494,346) 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, 2013**

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

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 1,812,686	\$ 984,193
Operating grants and contributions	18,009,525	17,230,515
Capital grants and contributions	1,511,330	1,796,622
General revenues:		
Federal and State aid, not restricted	43,612,490	45,377,862
Property taxes	29,336,012	27,333,470
Other general revenues	652,937	37,869,815
Total Revenues	<u>94,934,980</u>	<u>130,592,477</u>
Expenses		
Instruction	51,955,831	51,936,190
Instruction-related	10,078,623	10,905,251
Pupil services	10,506,082	11,321,971
Administration	6,869,465	5,700,361
Maintenance and operations	8,931,030	8,461,036
Other	5,555,956	7,379,877
Total Expenses	<u>93,896,987</u>	<u>95,704,686</u>
Change in Net Position	<u>\$ 1,037,993</u>	<u>\$ 34,887,791</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$93,896,987. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$29,336,012. The remaining cost was paid by those who benefited from the programs: \$1,812,686, or by other governments and organizations who subsidized certain programs with \$19,520,855 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, 2013**

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction and instruction-related	\$ 62,034,454	\$ 62,841,441	\$ 48,589,612	\$ 49,792,659
Pupil services	10,506,082	11,321,971	4,604,438	6,118,069
Administration	6,869,465	5,700,361	6,045,205	4,891,618
Maintenance and operations	8,931,030	8,461,036	8,923,685	8,446,743
Other outgo	5,555,956	7,379,877	4,400,506	6,444,267
Total	\$ 93,896,987	\$ 95,704,686	\$ 72,563,446	\$ 75,693,356

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$32,162,404 which is a decrease of \$20,019,651 from last year (Table 4).

Table 4

	<u>Balances and Activity</u>			
	<u>July 1, 2012</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2013</u>
General Fund	\$ 8,462,907	\$ 77,444,976	\$ 74,570,275	\$ 11,337,608
Capital Facilities Fund	9,756,929	13,917,394	23,142,601	531,722
County School Facilities Fund	3,864,068	1,511,175	1,503,275	3,871,968
Capital Projects Fund for Blended Component Units	17,868,172	771,216	15,300,570	3,338,818
Bond Interest and Redemption Fund	4,245,314	3,798,516	3,783,569	4,260,261
Non-Major Governmental Funds	7,984,665	13,175,683	12,338,321	8,822,027
Total	\$ 52,182,055	\$ 110,618,960	\$ 130,638,611	\$ 32,162,404

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund increased by \$2,874,701. The net increase is primarily due to a slight increase in revenue, and decreased expenditures.
2. The Charter School Fund balance increased by \$629,586 due to the increased revenue generated by an increase in average daily attendance.
3. The Capital Facilities Fund, County School Facilities Fund, Capital Projects Fund for Blended Component Units and Bond Interest and Redemption Fund decreased by \$23,731,714 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 53.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$239,518,570 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 \$20,251,326 or 9.24 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2013	2012
Land and construction in progress	\$ 37,635,791	\$ 36,092,310
Buildings and improvements, net of depreciation	198,156,016	178,271,949
Furniture and equipment, net of depreciation	3,726,763	4,902,985
Total	\$ 239,518,570	\$ 219,267,244

This year's increase of \$20,251,326 million is primarily a result facilities improvement project, including new construction and modernization projects.

PERRIS UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Long-Term Obligations

At the end of this year, the District had \$82,154,491 in long-term obligations outstanding versus \$82,993,848 last year, a decrease of 1.01 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 61,191,547	\$ 61,877,913
Certificates of participation	7,685,000	7,970,000
Qualified school construction bonds	1,927,433	2,042,231
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	2,788,567	3,288,028
Other	3,561,944	2,815,676
Total	\$ 82,154,491	\$ 82,993,848

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 2012-2013:

Accomplishments supporting student learning throughout the 2012-2013 school year included professional development opportunities for teachers, administrators, support staff, and parent/community members. Focus areas were core curriculum, assessment, student engagement, best instructional practices, behavior management, and integration of technology and college/career preparation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2013-2014 year, the governing board and management used the following criteria at adoption:

- District enrollment of 9,354 and the Charter schools 1,055, is projected to be 10,409 in total. This represented a decrease of 1.53 percent District-wide. Overall District Average Daily Attendance (ADA) including charters is projected to be 9,793. This represents a decrease of 146 ADA.
- Lottery funding for 2013-2014 is projected to be \$147.25 per prior-year annual ADA. This per-pupil rate reflects \$124 per pupil for unrestricted lottery revenues and \$23.25 per pupil for lottery funding restricted to the purchase of instructional materials.
- Base Revenue Limit was calculated at \$6,342 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 1.565 percent paired with a deficit factor of 18.997 percent.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities
ASSETS	
Deposits and investments	\$ 30,170,999
Receivables	10,933,809
Stores inventories	19,082
Deferred charges	731,258
Capital assets	
Land and construction in process	37,635,791
Other capital assets	267,675,715
Accumulated depreciation	<u>(65,792,936)</u>
Total Capital Assets	<u>239,518,570</u>
Total Assets	<u>282,566,823</u>
LIABILITIES	
Accounts payable	10,096,921
Interest payable	716,974
Deferred revenue	57,670
Long-term obligations	
Current portion of long-term obligations	4,086,428
Noncurrent portion of long-term obligations	<u>78,068,063</u>
Total Long-Term Obligations	<u>82,154,491</u>
Total Liabilities	<u>93,026,056</u>
NET POSITION	
Net investment in capital assets	171,761,626
Restricted for:	
Debt service	8,326,326
Capital projects	7,742,450
Educational programs	1,689,521
Other activities	4,515,190
Unrestricted	<u>(4,494,346)</u>
Total Net Position	<u>\$ 189,540,767</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, 2013**

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
Governmental Activities:					
Instruction	\$ 51,955,831	\$ 984	\$ 11,034,619	\$ 1,511,330	\$ (39,408,898)
Instruction-related activities:					
Supervision of instruction	1,697,659	-	829,206	-	(868,453)
Instructional library, media and technology	590,330	-	-	-	(590,330)
School site administration	7,790,634	2,640	66,063	-	(7,721,931)
Pupil services:					
Home-to-school transportation	2,685,304	-	711,623	-	(1,973,681)
Food services	3,332,943	620,327	3,453,347	-	740,731
All other pupil services	4,487,835	-	1,116,347	-	(3,371,488)
Administration:					
Data processing	1,221,382	-	245	-	(1,221,137)
All other administration	5,648,083	134,332	689,683	-	(4,824,068)
Plant services	8,931,030	2,683	4,662	-	(8,923,685)
Ancillary services	1,609,788	-	18,529	-	(1,591,259)
Community services	885	-	-	-	(885)
Interest on long-term obligations	3,692,452	-	-	-	(3,692,452)
Other outgo	252,831	1,051,720	85,201	-	884,090
Total Governmental Activities	\$ 93,896,987	\$ 1,812,686	\$ 18,009,525	\$ 1,511,330	(72,563,446)
General revenues and subventions:					
Property taxes, levied for general purposes					24,772,693
Property taxes, levied for debt service					3,787,648
Taxes levied for other specific purposes					775,671
Federal and State aid not restricted to specific purposes					43,612,490
Interest and investment earnings					30,625
Miscellaneous					622,312
Subtotal, General Revenues					73,601,439
Change in Net Position					1,037,993
Net Position - Beginning					188,502,774
Net Position - Ending					\$ 189,540,767

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

PERRIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	General Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 7,353,341	\$ 2,608,515	\$ 2,297,326
Receivables	9,246,207	1,896	42,830
Due from other funds	347,179	1,241,152	1,531,812
Prepaid expenditures	1,165,672	-	-
Stores inventories	-	-	-
Total Assets	\$ 18,112,399	\$ 3,851,563	\$ 3,871,968
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,320,828	\$ 3,290,585	\$ -
Due to other funds	403,970	29,256	-
Deferred revenue	49,993	-	-
Total Liabilities	6,774,791	3,319,841	-
FUND BALANCES			
Nonspendable	1,190,672	-	-
Restricted	2,212,238	531,722	3,871,968
Assigned	4,306,507	-	-
Unassigned	3,628,191	-	-
Total Fund Balances	11,337,608	531,722	3,871,968
Total Liabilities and Fund Balances	\$ 18,112,399	\$ 3,851,563	\$ 3,871,968

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,096,402	\$ 4,260,261	\$ 7,555,154	\$ 30,170,999
-	-	1,642,876	10,933,809
-	-	1,580,044	4,700,187
-	-	27,433	1,193,105
-	-	19,082	19,082
<u>\$ 6,096,402</u>	<u>\$ 4,260,261</u>	<u>\$ 10,824,589</u>	<u>\$ 47,017,182</u>
\$ -	\$ -	\$ 485,508	\$ 10,096,921
2,757,584	-	1,509,377	4,700,187
-	-	7,677	57,670
<u>2,757,584</u>	<u>-</u>	<u>2,002,562</u>	<u>14,854,778</u>
-	-	46,515	1,237,187
3,338,818	4,260,261	8,775,512	22,990,519
-	-	-	4,306,507
-	-	-	3,628,191
<u>3,338,818</u>	<u>4,260,261</u>	<u>8,822,027</u>	<u>32,162,404</u>
<u>\$ 6,096,402</u>	<u>\$ 4,260,261</u>	<u>\$ 10,824,589</u>	<u>\$ 47,017,182</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance - Governmental Funds		\$ 32,162,404
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 305,311,506	
Accumulated depreciation is:	<u>(65,792,936)</u>	
Net Capital Assets		239,518,570
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		731,258
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.		(716,974)
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	51,087,260	
Certificates of participation	7,685,000	
Qualified school construction bonds	1,927,433	
QZAB lease purchase agreement	5,000,000	
Capital leases	2,788,567	
Compensated absences (vacations)	323,131	
Supplemental employee retirement plan (SERP)	3,238,813	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>10,104,287</u>	
Total Long-Term Obligations		<u>(82,154,491)</u>
Total Net Position - Governmental Activities		<u><u>\$ 189,540,767</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, 2013**

	General Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 54,974,575	\$ -	\$ -
Federal sources	5,210,226	-	-
Other State sources	11,840,830	-	-
Other local sources	5,419,345	1,526,055	7,900
Total Revenues	<u>77,444,976</u>	<u>1,526,055</u>	<u>7,900</u>
EXPENDITURES			
Current			
Instruction	42,214,792	-	-
Instruction-related activities:			
Supervision of instruction	1,697,659	-	-
Instructional library, media, and technology	587,681	-	-
School site administration	5,881,941	-	-
Pupil services:			
Home-to-school transportation	2,685,304	-	-
Food services	2,924	-	-
All other pupil services	4,441,904	-	-
Administration:			
Data processing	1,110,578	-	-
All other administration	4,010,871	385,858	-
Plant services	8,927,852	13,585	-
Facility acquisition and construction	916,807	22,743,158	1,503,275
Ancillary services	1,469,958	-	-
Community services	885	-	-
Other outgo	-	-	-
Debt service			
Principal	481,641	-	-
Interest and other	139,478	-	-
Total Expenditures	<u>74,570,275</u>	<u>23,142,601</u>	<u>1,503,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,874,701</u>	<u>(21,616,546)</u>	<u>(1,495,375)</u>
Other Financing Sources (Uses)			
Transfers in	-	12,391,339	1,503,275
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>12,391,339</u>	<u>1,503,275</u>
NET CHANGE IN FUND BALANCES	<u>2,874,701</u>	<u>(9,225,207)</u>	<u>7,900</u>
Fund Balances - Beginning	<u>8,462,907</u>	<u>9,756,929</u>	<u>3,864,068</u>
Fund Balances - Ending	<u>\$ 11,337,608</u>	<u>\$ 531,722</u>	<u>\$ 3,871,968</u>

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,778,707	\$ 60,753,282
-	-	3,401,439	8,611,665
-	57,613	1,217,313	13,115,756
771,216	3,740,903	896,031	12,361,450
<u>771,216</u>	<u>3,798,516</u>	<u>11,293,490</u>	<u>94,842,153</u>
-	-	3,921,667	46,136,459
-	-	-	1,697,659
-	-	2,649	590,330
-	-	1,166,259	7,048,200
-	-	-	2,685,304
-	-	3,399,530	3,402,454
-	-	45,931	4,487,835
-	-	51,313	1,161,891
-	-	426,934	4,823,663
-	-	495,807	9,437,244
-	-	1,209,380	26,372,620
-	-	142,260	1,612,218
-	-	-	885
252,831	-	-	252,831
-	1,945,000	399,799	2,826,440
-	1,838,569	440,551	2,418,598
<u>252,831</u>	<u>3,783,569</u>	<u>11,702,080</u>	<u>114,954,631</u>
<u>518,385</u>	<u>14,947</u>	<u>(408,590)</u>	<u>(20,112,478)</u>
-	-	1,789,366	15,683,980
-	-	92,827	92,827
(15,047,739)	-	(636,241)	(15,683,980)
<u>(15,047,739)</u>	<u>-</u>	<u>1,245,952</u>	<u>92,827</u>
(14,529,354)	14,947	837,362	(20,019,651)
17,868,172	4,245,314	7,984,665	52,182,055
<u>\$ 3,338,818</u>	<u>\$ 4,260,261</u>	<u>\$ 8,822,027</u>	<u>\$ 32,162,404</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, 2013

Total Net Change in Fund Balances - Governmental Funds \$ (20,019,651)

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

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

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

Capital outlays	\$ 27,027,141	
Depreciation expense	<u>(6,775,815)</u>	
Net Expense Adjustment		20,251,326

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 \$6,676 and supplemental retirement earned was more than the amount used by \$752,944.

(746,268)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the Statement of Activities, they are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issue costs amortized for the period is:

(62,703)

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:

General obligation bonds	1,945,000
Certificates of participation	285,000
Qualified school construction bonds	114,798
Capital lease obligations	499,461

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$29,664 and second, \$1,258,634 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(1,228,970)

Change in Net Position of Governmental Activities

\$ 1,037,993

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

PERRIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 6,271,281	\$ 652,704	\$ 6,923,985
LIABILITIES			
Due to student groups	\$ -	\$ 652,704	\$ 652,704
Due to bond holders	6,271,281	-	6,271,281
Total Liabilities	\$ 6,271,281	\$ 652,704	\$ 6,923,985

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

The 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, 2013

Other Related Entities

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

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.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), 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.).

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.

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).

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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).

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.

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.

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, 2013

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 use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net 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, 2013

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

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

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

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

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, 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, 2013

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.

Deferred 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2013, 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 represent the difference between assets and liabilities. Net position net of investment in capital assets, t 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 \$22,273,487 of restricted net position.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

New Accounting Pronouncements

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.

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 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 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 provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

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 27 and 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, 2013

- 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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 30,170,999
Fiduciary funds	6,923,985
Total Deposits and Investments	<u>\$ 37,094,984</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 5,890,748
Cash in revolving	25,000
Investments	31,179,236
Total Deposits and Investments	<u>\$ 37,094,984</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, 2013**

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

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

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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	\$ 4,024,237	12/9/2013
First American Government Obligation Fund Class D	835,616	N/A
Money Market	8,199,756	N/A
Riverside County Investment Pool	18,147,065	515 days*
Total	<u>\$ 31,206,674</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, 2013	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	Not Rated	\$ 4,024,237
First American Government Obligation Fund Class D	Not Required	Not Rated	835,616
Money Market	Not Required	Not Rated	8,199,756
Riverside County Investment Pool	Not Required	AAA/V1	18,147,065
Total Investments			<u>\$ 31,206,674</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, the District's bank balance of \$7,245,913 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government					
Categorical aid	\$ 1,114,043	\$ -	\$ -	\$ 485,570	\$ 1,599,613
State Government					
Apportionment	4,732,492	-	-	770,445	5,502,937
Categorical aid	-	-	-	300,930	300,930
Lottery	744,234	-	-	66,798	811,032
Local Government					
Interest	55	1,896	1,578	843	4,372
Redevelopment					
Pass-Thru	-	-	41,252	-	41,252
Other Local Sources	2,655,383	-	-	18,290	2,673,673
Total	<u>\$ 9,246,207</u>	<u>\$ 1,896</u>	<u>\$ 42,830</u>	<u>\$ 1,642,876</u>	<u>\$ 10,933,809</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 11,541,262	\$ 3,750	\$ -	\$ 11,545,012
Construction in Progress	24,551,048	1,539,731	-	26,090,779
Total Capital Assets Not Being Depreciated	<u>36,092,310</u>	<u>1,543,481</u>	<u>-</u>	<u>37,635,791</u>
Capital Assets Being Depreciated:				
Land Improvements	16,953,787	19,970	-	16,973,757
Buildings	215,413,918	25,463,690	-	240,877,608
Equipment	9,961,036	-	136,686	9,824,350
Total Capital Assets Being Depreciated	<u>242,328,741</u>	<u>25,483,660</u>	<u>136,686</u>	<u>267,675,715</u>
Total Capital Assets	<u>278,421,051</u>	<u>27,027,141</u>	<u>136,686</u>	<u>305,311,506</u>
Less Accumulated Depreciation:				
Land Improvements	9,751,480	718,961	-	10,470,441
Buildings	44,344,276	4,880,632	-	49,224,908
Equipment	5,058,051	1,176,222	136,686	6,097,587
Total Accumulated Depreciation	<u>59,153,807</u>	<u>6,775,815</u>	<u>136,686</u>	<u>65,792,936</u>
Governmental Activities Capital Assets, Net	<u>\$ 219,267,244</u>	<u>\$ 20,251,326</u>	<u>\$ -</u>	<u>\$ 239,518,570</u>

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

Governmental Activities	
Instruction	\$ 5,893,197
School site administration	761,873
Data processing	59,491
All other administration	6,098
Plant services	55,156
Total Depreciation Expenses All Activities	<u>\$ 6,775,815</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Capital Facilities Fund	Capital Project Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 719	\$ -	\$ 346,460	\$ 347,179
Capital Facilities Fund	-	-	78,235	1,162,917	1,241,152
County School Facilities Fund	-	28,537	1,503,275	-	1,531,812
Non-Major Governmental Funds	403,970	-	1,176,074	-	1,580,044
Total	\$ 403,970	\$ 29,256	\$ 2,757,584	\$ 1,509,377	\$ 4,700,187

The balance of \$403,970 is due to the Charter School Non-Major Governmental Fund from the General Fund for the in lieu property tax transfer.

The balance of \$1,176,074 is due to the Building Non-Major Governmental Fund from the Capital Project Fund for Blended Component Units to reimburse costs.

The balance of \$1,503,275 is due to the County School Facilities Fund from the Capital Project Fund for Blended Component Units to reimburse costs.

The balance of \$1,162,917 is due to the Capital Facilities Fund from the Building Non-Major Governmental Fund to reimburse costs.

A balance of \$104,335 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for salary reimbursements.

A balance of \$50,993 is due to the General Fund from the Adult Education Non-Major Governmental for salary reimbursements.

A balance of \$191,132 is due to the General Fund from the Charter School Non-Major Governmental Fund for indirect costs.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Operating Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From		Total
	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	
Capital Facilities Fund	\$ 12,368,390	\$ 22,949	\$ 12,391,339
County School Facilities Fund	1,503,275	-	1,503,275
Non-Major Governmental Funds	1,176,074	613,292	1,789,366
Total	\$ 15,047,739	\$ 636,241	\$ 15,683,980

The Building Non-Major Governmental Fund transferred to the Capital Facilities Fund to close out fund.	\$ 22,949
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund to reimburse for construction payments.	12,368,390
The Capital Project Fund for Blended Component Units transferred to the Building Non-Major Governmental Fund to reimburse for construction payments.	1,176,074
The Capital Project Fund for Blended Component Units transferred to the County School Facilities Fund to reimburse for construction payments.	1,503,275
The Debt Service Non-Major Governmental Fund transferred to the Debt Service Fund for Blended Component Units for Certificates of Participation debt service payments.	613,292
	<u>\$ 15,683,980</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 1,131,792	\$ 96,563	\$ 107,223	\$ 1,335,578
State apportionment	5,060,789	-	337,722	5,398,511
Salaries and benefits	128,247	2,914	27,392	158,553
Construction	-	3,191,108	13,171	3,204,279
Total	<u>\$ 6,320,828</u>	<u>\$ 3,290,585</u>	<u>\$ 485,508</u>	<u>\$ 10,096,921</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 45,880	\$ 7,677	\$ 53,557
State categorical aid	2,563	-	2,563
Other local	1,550	-	1,550
Total	<u>\$ 49,993</u>	<u>\$ 7,677</u>	<u>\$ 57,670</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, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General Obligation Bonds	\$ 61,877,913	\$ 1,258,634	\$ 1,945,000	\$ 61,191,547	\$ 2,225,000
Certificates of Participation	7,970,000	-	285,000	7,685,000	300,000
Qualified school construction bonds	2,042,231	-	114,798	1,927,433	115,903
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	3,288,028	-	499,461	2,788,567	517,941
Compensated absences	329,807	-	6,676	323,131	-
SERP	2,485,869	863,575	110,631	3,238,813	927,584
OPEB Obligation	-	53,670	53,670	-	-
	<u>\$ 82,993,848</u>	<u>\$ 2,175,879</u>	<u>\$ 3,015,236</u>	<u>\$ 82,154,491</u>	<u>\$ 4,086,428</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 on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.
- Payments for the Capital Leases are made from the General Fund.
- Payments for Accumulated Vacation are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for the SERP are made from the General Fund and Charter School Fund.
- Payments for the OPEB obligation are made from the General Fund.
- Payments for the Qualified School Construction Bonds are made from the Charter School Fund.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Issued	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2013
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 5,922,297	\$ -	\$ 405,322	\$ -	\$ 6,327,619
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	7,640,581	-	413,962	-	8,054,543
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	2,820,000	-	-	1,020,000	1,800,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	39,428,849	-	402,874	575,000	39,256,723
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	6,066,186	-	36,476	350,000	5,752,662
				<u>\$ 61,877,913</u>	<u>\$ -</u>	<u>\$ 1,258,634</u>	<u>\$ 1,945,000</u>	<u>\$ 61,191,547</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, 2013, the principal balance outstanding was \$6,327,619 and unamortized issuance costs were \$120,683.

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, 2013, the principal balance outstanding was \$8,054,543 and unamortized issuance costs were \$112,888.

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, 2013, the principal balance outstanding was \$1,800,000 and unamortized issuance costs were \$12,574.

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, 2013, the principal balance outstanding was \$39,256,723 and unamortized issuance costs were \$374,406.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the principal balance outstanding was \$5,752,662 and unamortized issuance costs were \$110,707.

Debt Service Requirements to Maturity

The bonds mature through 2030, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2014	\$ 2,225,000	\$ 1,333,827	\$ 1,757,938	\$ 5,316,765
2015	2,487,876	1,395,761	1,670,625	5,554,262
2016	2,659,120	1,423,332	1,594,244	5,676,696
2017	2,880,005	1,428,399	1,517,819	5,826,223
2018	3,138,492	1,429,532	1,426,419	5,994,443
2019-2023	19,634,363	6,939,400	5,412,047	31,985,810
2024-2028	22,365,989	5,197,254	1,591,375	29,154,618
2029-2030	5,800,702	770,948	-	6,571,650
Total	\$ 61,191,547	\$ 19,918,453	\$ 14,970,467	\$ 96,080,467

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, 2013, is \$7,685,000.

The certificates mature through 2031, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 300,000	\$ 316,694	\$ 616,694
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
2019-2023	1,965,000	1,101,369	3,066,369
2024-2028	2,400,000	653,609	3,053,609
2029-2031	1,710,000	317,300	2,027,300
Total	\$ 7,685,000	\$ 3,529,348	\$ 11,214,348

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, is \$1,927,433.

The bonds mature through 2029, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 115,903	\$ 105,748	\$ 221,651
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
2019-2023	619,756	295,269	915,025
2024-2028	650,154	118,891	769,045
2029	66,744	1,859	68,603
Total	<u>\$ 1,927,433</u>	<u>\$ 879,421</u>	<u>\$ 2,806,854</u>

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, 2013, US Bank held \$4,154,307 for the lease payment.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2012	\$ 3,726,708
Payments	621,118
Balance, June 30, 2013	<u>\$ 3,105,590</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2014	\$ 621,118
2015	621,118
2016	621,118
2017	621,118
2018	621,118
Total	<u>3,105,590</u>
Less: Amount Representing Interest	317,023
Present Value of Minimum Lease Payments	<u>\$ 2,788,567</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2013, include the following:

Land, buildings, and equipment	\$ 5,238,519
Less: Accumulated depreciation	(3,274,075)
Total	<u>\$ 1,964,444</u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$323,131.

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, 2013, is \$3,238,813.

Year Ending June 30,	Payment
2014	\$ 927,584
2015	927,584
2016	927,584
2017	283,346
2018	172,715
Total	<u>\$ 3,238,813</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$53,670, and contributions made by the District during the year were \$53,670. As of June 30, 2013, there was no net OPEB obligation. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	-	-	-	-
Prepaid expenditures	1,165,672	-	-	-
Total Nonspendable	<u>1,190,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	2,212,238	-	-	-
Capital projects	-	531,722	3,871,968	3,338,818
Debt services	-	-	-	-
Total Restricted	<u>2,212,238</u>	<u>531,722</u>	<u>3,871,968</u>	<u>3,338,818</u>
Assigned				
Other assignments	<u>4,306,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
Economic uncertainties	<u>3,628,191</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 11,337,608</u></u>	<u><u>\$ 531,722</u></u>	<u><u>\$ 3,871,968</u></u>	<u><u>\$ 3,338,818</u></u>

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 25,000
-	19,082	19,082
-	27,433	1,193,105
-	46,515	1,237,187
-	3,992,473	6,204,711
-	-	7,742,508
4,260,261	4,783,039	9,043,300
4,260,261	8,775,512	22,990,519
-	-	4,306,507
-	-	3,628,191
\$ 4,260,261	\$ 8,822,027	\$ 32,162,404

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 2012-2013, the District contributed \$53,670 to the Plan, all of which was used for current premiums (100 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 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
2011	\$ 50,841	\$ 50,841	100%	\$ -
2012	50,841	50,841	100%	-
2013	53,670	53,670	100%	-

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 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%

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, 2013, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Workers' Compensation

For fiscal year 2013, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 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, 2013, 2012, and 2011, were \$2,919,110, \$2,887,236, and \$3,159,611, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 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, 2013, 2012, and 2011, were \$2,101,239, \$2,092,825, and \$2,111,961, 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 \$2,006,466 (5.176 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013.

Litigation

Audit findings have been reported each year since 2005-2006 through 2012-2013 regarding the Charter School's operation as a seat time program. The District has appealed all prior year findings to EAAP, and will appeal the current year finding 2013-1. A consolidated hearing is scheduled in mid-2014 on those matters. A Tentative Settlement Agreement exists which encompasses all audit findings from 2005-2006 through 2012-2013. The potential exposure is approximately \$9.4 million, however it is anticipated that the settlement will result in a significantly lower repayment obligation, over a period of several years.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Pinacate Middle School Phase II	\$ 711,506	December 2013
Pinacate Middle School Pre-Phase III	1,473,260	January 2014
Perris High School 18 - Classroom Building Phase IA	475,580	December 2013
Perris High School 10 - Classroom Building Phase IB	2,875,414	February 2014
Perris High School Agricultural Research Center Phase I	167,591	December 2013
Heritage High School Stem Classroom Building	5,444,250	July 2014
Heritage High School Parking Lot Configuration	1,548,898	December 2013
California Military Institute Music and Science Building	447,454	December 2013
California Military Institute Portable Classroom Building	51,820	December 2013
	<u>\$ 13,195,773</u>	

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, the District made payments of \$1,108,358, \$6,764,995, and \$528,036 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 50,969,724	\$ 54,917,641	\$ 54,974,575	\$ 56,934
Federal sources	4,411,858	6,736,489	5,210,226	(1,526,263)
Other State sources	8,692,732	9,622,771	11,840,830	2,218,059
Other local sources	5,032,536	5,154,546	5,419,345	264,799
Total Revenues ¹	<u>69,106,850</u>	<u>76,431,447</u>	<u>77,444,976</u>	<u>1,013,529</u>
EXPENDITURES				
Current				
Certificated salaries	32,042,543	32,520,039	32,476,931	43,108
Classified salaries	11,099,457	11,195,517	11,495,351	(299,834)
Employee benefits	14,718,100	14,801,997	15,895,824	(1,093,827)
Books and supplies	3,537,838	5,035,253	2,576,361	2,458,892
Services and operating expenditures	10,587,523	12,573,359	11,000,861	1,572,498
Capital outlay	1,335,250	1,414,609	930,742	483,867
Other outgo	(557,828)	(543,731)	(426,914)	(116,817)
Debt service				
Principal	499,461	499,461	481,641	17,820
Interest	121,657	121,657	139,478	(17,821)
Total Expenditures ¹	<u>73,384,001</u>	<u>77,618,161</u>	<u>74,570,275</u>	<u>3,047,886</u>
NET CHANGE IN FUND BALANCE	(4,277,151)	(1,186,714)	2,874,701	4,061,415
Fund Balance - Beginning	8,462,907	8,462,907	8,462,907	-
Fund Balance - Ending	<u>\$ 4,185,756</u>	<u>\$ 7,276,193</u>	<u>\$ 11,337,608</u>	<u>\$ 4,061,415</u>

¹ On behalf payments of \$2,006,466 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, 2013**

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%

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 30,777
Adult Basic Education - Adult Secondary	84.002	13978	<u>83,710</u>
Total Adult Education - Basic Grants to States Cluster			<u>114,487</u>
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	270,446
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA):			
State Improvement Grant, Improving Special Education Systems	84.323	14920	24,311
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,247,859
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	<u>267,640</u>
Total Special Education (IDEA) Cluster			<u>1,515,499</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14981	2,107,317
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	15,084
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	257,723
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	975
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	286,329
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	<u>405,692</u>
Total U.S. Department of Education			<u>4,997,863</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, 2013**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 557,671
National School Lunch Program	10.555	13524	2,403,129
Meal Supplement	10.555	13396	13,442
Summer Food Service Program	10.559	13004	51,797
Food Distribution	10.555	13524	258,340
Total Child Nutrition Cluster			<u>3,284,379</u>
Child Care Food Program	[1]	23165	<u>2,573</u>
Total U.S. Department of Agriculture			<u>3,286,952</u>
 U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[2]	<u>101,379</u>
Total U.S. Department of Defense			<u>101,379</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	16,699
Medi-Cal Administrative Activities Program	93.778	10060	61,073
Total U.S. Department of Health and Human Services			<u>77,772</u>
Total Federal Programs			<u>\$ 8,463,966</u>

[1] CFDA number not available.

[2] Direct funded program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
William F. Hulstrom	President	2014
Joan D. Cooley	Vice President	2016
Carolyn A. Twyman	Clerk	2014
Edward Agundez	Member	2016
David Nelissen	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
Mark Lucas	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, 2013**

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Seventh and eighth	1,093	1,089		
Special education	5	5		
Community day school	7	9		
Total Elementary	<u>1,105</u>	<u>1,103</u>	No Adjustments	
SECONDARY				
Regular classes	7,293	7,241		
Continuation education	327	322		
Home and hospital	4	4		
Special education	62	62		
Community day school	44	46		
Total Secondary	<u>7,730</u>	<u>7,675</u>		
Total K-12	<u>8,835</u>	<u>8,778</u>	No Adjustments	
CHARTER SCHOOLS				
California Military Institute - Total ¹				
Fourth through sixth	173	171		
Seventh and eighth	285	285		
Ninth through twelfth	370	365		
Total	<u>828</u>	<u>821</u>	No Adjustments	
California Military Institute - Classroom-based				
Fourth through sixth	173	171		
Seventh and eighth	285	285		
Ninth through twelfth	370	365		
Total	<u>828</u>	<u>821</u>	No Adjustments	
Choice 2000 Online High School - Total (100 percent non-classroom based)				
Ninth through twelfth ²	<u>180</u>	<u>173</u>	<u>-</u>	<u>-</u>
Choice 2000 On-Line - Classroom-based				
Ninth through twelfth	<u>180</u>	<u>173</u>	<u>-</u>	<u>-</u>

¹ California Military Institute did not operate a non-classroom based program.

² Choice 2000 Online High School was funded at 85 percent, or 153 ADA during 2012-2013.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

District

Grade Level	1982-83	1982-83	1986-87	1986-87	2012-13	Number of Days		Status
	Actual	Reduced	Minutes	Reduced	Actual	Traditional	Multitrack	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Grades 7 - 8	59,200	57,556	54,000	52,500				
Grade 7					57,892	175	N/A	Complied
Grade 8					57,892	175	N/A	Complied
Grades 9 - 12	55,332	53,795	64,800	63,000				
Grade 9					63,608	175	N/A	Complied
Grade 10					63,608	175	N/A	Complied
Grade 11					63,608	175	N/A	Complied
Grade 12					63,608	175	N/A	Complied

California Military Institute

Grade Level	1982-83	1982-83	1986-87	1986-87	2012-13	Number of Days		Status
	Actual	Reduced	Minutes	Reduced	Actual	Traditional	Multitrack	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Grades 7 - 8	*	*	54,000	52,500				
Grade 7					64,032	175	N/A	Complied
Grade 8					64,032	175	N/A	Complied
Grades 9 - 12	*	*	64,800	63,000				
Grade 9					64,032	175	N/A	Complied
Grade 10					64,032	175	N/A	Complied
Grade 11					64,032	175	N/A	Complied
Grade 12					64,032	175	N/A	Complied

The California Military Institute was not operating in 82-83.

Choice 2000 Online High School

California *Education Code* Section 46201(a) states this schedule does not apply to independent study programs, accordingly, such schedule has not been presented.

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, 2013**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget) 2014 ¹	2013	2012	2011
GENERAL FUND				
Revenues	\$ 77,005,158	\$ 77,444,976	\$ 76,730,642	\$ 76,183,686
Other sources	-	-	1,066	5,368,947
Total Revenues and Other Sources	77,005,158	77,444,976	76,731,708	81,552,633
Expenditures	78,717,072	74,570,275	80,990,715	80,018,014
Total Expenditures and Other Sources	78,717,072	74,570,275	80,990,715	80,018,014
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,711,914)	\$ 2,874,701	\$ (4,259,007)	\$ 1,534,619
ENDING FUND BALANCE	\$ 9,625,694	\$ 11,337,608	\$ 8,462,907	\$ 12,721,914
AVAILABLE RESERVES²	\$ 6,961,805	\$ 3,628,191	\$ 2,371,880	\$ 2,440,965
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	8.84%	5.00%	3.00%	3.11%
LONG-TERM OBLIGATIONS	N/A	\$ 82,154,491	\$ 82,993,848	\$ 101,198,729
K-12 AVERAGE DAILY ATTENDANCE AT P-2⁴	8,703	8,835	8,969	9,004

The General Fund balance has decreased by \$1,384,306 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$1,711,914 (15.1 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have decreased by \$19,044,238 over the past two years.

Average daily attendance has decreased by 169 over the past two years. Additional decline of 132 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$2,006,466, \$1,928,077, and \$1,654,254, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

⁴ 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, 2013**

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 1,419,857	\$ 23,524	\$ 1,328,726
Receivables	1,101,255	27,469	514,146
Due from other funds	403,970	-	-
Prepaid expenses	25,247	-	2,186
Stores inventories	-	-	19,082
Total Assets	\$ 2,950,329	\$ 50,993	\$ 1,864,140
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 430,998	\$ -	\$ 41,339
Due to other funds	191,132	50,993	104,335
Deferred revenue	-	-	7,677
Total Liabilities	622,130	50,993	153,351
Fund Balances:			
Nonspendable	25,247	-	21,268
Restricted	2,302,952	-	1,689,521
Total Fund Balances	2,328,199	-	1,710,789
Total Liabilities and Fund Balances	\$ 2,950,329	\$ 50,993	\$ 1,864,140

See accompanying note to supplementary information.

Building Fund	QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 10	\$ 4,154,307	\$ 3,401	\$ 625,329	\$ 7,555,154
4	-	2	-	1,642,876
1,176,074	-	-	-	1,580,044
-	-	-	-	27,433
-	-	-	-	19,082
<u>\$ 1,176,088</u>	<u>\$ 4,154,307</u>	<u>\$ 3,403</u>	<u>\$ 625,329</u>	<u>\$ 10,824,589</u>
\$ 13,171	\$ -	\$ -	\$ -	\$ 485,508
1,162,917	-	-	-	1,509,377
-	-	-	-	7,677
<u>1,176,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,002,562</u>
-	-	-	-	46,515
-	4,154,307	3,403	625,329	8,775,512
<u>-</u>	<u>4,154,307</u>	<u>3,403</u>	<u>625,329</u>	<u>8,822,027</u>
<u>\$ 1,176,088</u>	<u>\$ 4,154,307</u>	<u>\$ 3,403</u>	<u>\$ 625,329</u>	<u>\$ 10,824,589</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, 2013**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund
REVENUES			
Revenue limit sources	\$ 5,778,707	\$ -	\$ -
Federal sources	-	114,487	3,286,952
Other State sources	964,856	-	252,457
Other local sources	7,772	13,619	700,551
Total Revenues	<u>6,751,335</u>	<u>128,106</u>	<u>4,239,960</u>
EXPENDITURES			
Current			
Instruction	3,807,180	114,487	-
Instruction-related activities:			
Instructional library, media, and technology	2,649	-	-
School site administration	1,152,640	13,619	-
Pupil services:			
Food services	-	-	3,399,530
All other pupil services	45,931	-	-
Administration:			
Data processing	51,313	-	-
All other general administration	289,840	-	137,094
Plant services	495,807	-	-
Facility acquisition and construction	-	-	-
Ancillary services	142,260	-	-
Debt service			
Principal	114,799	-	-
Interest and other	112,157	-	-
Total Expenditures	<u>6,214,576</u>	<u>128,106</u>	<u>3,536,624</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>536,759</u>	<u>-</u>	<u>703,336</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources	92,827	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>92,827</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	629,586	-	703,336
Fund Balances - Beginning	1,698,613	-	1,007,453
Fund Balances - Ending	<u>\$ 2,328,199</u>	<u>\$ -</u>	<u>\$ 1,710,789</u>

See accompanying note to supplementary information.

Building Fund	QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 5,778,707
-	-	-	-	3,401,439
-	-	-	-	1,217,313
155	173,049	777	108	896,031
<u>155</u>	<u>173,049</u>	<u>777</u>	<u>108</u>	<u>11,293,490</u>
-	-	-	-	3,921,667
-	-	-	-	2,649
-	-	-	-	1,166,259
-	-	-	-	3,399,530
-	-	-	-	45,931
-	-	-	-	51,313
-	-	-	-	426,934
-	-	-	-	495,807
1,209,380	-	-	-	1,209,380
-	-	-	-	142,260
-	-	-	285,000	399,799
-	-	-	328,394	440,551
<u>1,209,380</u>	<u>-</u>	<u>-</u>	<u>613,394</u>	<u>11,702,080</u>
(1,209,225)	173,049	777	(613,286)	(408,590)
1,176,074	-	-	613,292	1,789,366
-	-	-	-	92,827
(22,949)	-	(613,292)	-	(636,241)
<u>1,153,125</u>	<u>-</u>	<u>(613,292)</u>	<u>613,292</u>	<u>1,245,952</u>
(56,100)	173,049	(612,515)	6	837,362
56,100	3,981,258	615,918	625,323	7,984,665
<u>\$ -</u>	<u>\$ 4,154,307</u>	<u>\$ 3,403</u>	<u>\$ 625,329</u>	<u>\$ 8,822,027</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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, 2013. 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:		\$ 8,611,665
Medi-Cal Billing Option	93.778	(137,602)
Medi-Cal Administrative Activities Program	93.778	(10,097)
Total Schedule of Expenditures of Federal Awards		<u>\$ 8,463,966</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, 2013

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Perris Union High School District
Perris, California

We have audited, 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, 2013, 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 9, 2013.

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*.

We noted certain matters that we reported to management of Perris Union High School District in a separate letter dated December 9, 2013.

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 9, 2013



**INDEPENDENT AUDITORS' 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, 2013. 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, 2013.

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 9, 2013



INDEPENDENT AUDITORS' 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 2012-2013* that could have a direct and material effect on each Perris Union High School District's State government programs as noted below for the year ended June 30, 2013.

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 2012-2013*. 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 opinion. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

Basis for Qualified Opinion [Choice 2000 Online High School Attendance]

As described in the accompanying schedule of findings and questioned costs, Perris Union High School District did not comply with requirements regarding Choice 2000 Online High School Attendance as described in the Schedule of State Awards and Findings and Questioned Costs as finding 2013-1. Compliance with such requirements is necessary, in our opinion, for Perris Union High School District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other 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, 2013, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

We noted certain matters that we reported to management of Perris Union High School District in a separate letter dated December 9, 2013.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	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	6	Yes
County Offices of Education	3	Not Applicable
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
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Not Applicable
Option One Classes	3	Not Applicable
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Non Classroom-Based Instruction/Independent Study	15	No, See Below
Determination of Funding for Non Classroom-Based Instruction	3	No, See Below
Annual Instruction Minutes Classroom-Based	4	Yes

We did not perform testing for independent study because ADA was below the level required for testing. Additionally, we did not perform testing for Non-Classroom Based Instruction/Independent Study, and Determination of Funding for Non-Classroom Based Instruction due to the online interactive nature of the program and the lack of Independent Study accounting records.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 9, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' 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 programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major 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 programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds</u>
<u>84.184</u>	<u>Safe and Supportive Schools Programmatic Intervention (S3)</u>

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

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was modified:	

<u>Name of Program</u>
<u>Choice 2000 Online High School Attendance</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	40000	State Compliance
2013-1	40000	

CHOICE 2000 ONLINE HIGH SCHOOL

Criteria or Specific Requirements

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

Condition

Questioned Costs

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.

Context

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

Effect

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

Cause

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation

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

Corrective Action Plan

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

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

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
2012-1	40000	
	<i>CHOICE 2000 ONLINE HIGH SCHOOL</i>	
	Criteria or Specific Requirements	
	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.	
	Questioned Costs	
	Independent study regulations must be followed to account for attendance in a "non-classroom based" charter program, therefore, all 168.70 ADA reported by the school for 2011-2012 should be considered non-allowable for funding purposes. Per the certified June 15, 2012, Second Principal Apportionment, the total General Purpose Entitlement Funding was \$1,035,987 at \$6,141 x 168.70 ADA for grades 9 through 12, and the Categorical per ADA Block Grant Funding was \$67,111 at \$500 per ADA, adjusted by the State proration factor.	
	Context	
	The questioned costs were based upon testing of the attendance records at the Choice 2000 Online High School.	
	Effect	
	Due to the application of regular seat time attendance procedures instead of independent study attendance accounting, Choice 2000 Online High School is not in compliance with referenced guidelines.	
	Cause	
	Choice 2000 Online Charter, a non-classroom based charter school has been in operation since 1994. The school has been utilizing contemporaneous attendance records and a course bell schedule, similar to that of a classroom based high school.	

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation

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

Current Status

Not implemented, see current year finding 2013-1.



Governing Board
Perris Union High School District
Perris, California

In planning and performing our audit of the basic financial statements of Perris Union High School District (the District) for the year ending June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2013, on the financial statements of Perris Union High School District.

2013 OBSERVATIONS AND RECOMMENDATIONS

Instructional Minutes

Observation

The annual instructional minutes were above the required minimum in order to be eligible for the incentive funding but it was noted that there is currently no procedures in place where a responsible person is reviewing the calculations for compliance with State guidelines. The situation may arise that unforeseen shortened days due to a minimum day or even a canceled day may drop the site below the minimum required minutes.

Recommendation

In order to ensure that sites are meeting the instructional minute requirements in order to be eligible for incentive funding, a procedure should be developed to ensure that the site calculations are being reviewed for compliance.

ASSOCIATED STUDENT BODY ACCOUNTS (ASB)

Paloma Valley High School

Verification of Cash Count

Observation

Cash collections are being verified at the time of deposit, rather than at the time or soon after the collection of the money by the bookkeeper. As a result, sufficient controls do not exist with regards to cash collections, since funds on hand, if lost or stolen, could not be verified.

Recommendation

To strengthen the procedures over cash collections, all cash should be verified at the time of or very soon after the money is turned over to the bookkeeper. This procedure prevents and avoids any dispute over the amount of cash submitted by the person turning in the funds to the office.

SITE CASH

Perris Lake High School

Timely Site Deposits

Observation

Cash collected at the site is not being deposited to the district on a timely basis. This results in cash balances being maintained at the sites which severely decreases the safeguarding of assets.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

Library Monies

Observation

During our audit of site cash collection procedures, we noted the following:

1. Librarian uses personal monies to buy replacement books for students and students will then reimburse the librarian.
2. At the time of the audit receipts did not match the monies that were on hand. We noted an overage of \$121.65.
3. The librarian has used personal funds to make change/petty cash. We also noted extra monies on hand are not being deposited to the District.

Recommendation

1. Librarian should follow the District's policy in regards to the approved process for students replacing lost or damaged library books. Students should also be responsible for replacing their own library books.
2. All site cash collections should be receipted intact and in a timely manner. Any overages should be deposited to the district and noted.
3. Librarian should not be using personal funds for a petty cash fund. Librarian should request a petty cash fund from the District office and follow the District's approved process in obtaining and receiving petty cash funds.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 9, 2013