



**PERRIS UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

PERRIS UNION HIGH SCHOOL DISTRICT

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PERRIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions information on pages 66 and 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, 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 2, 2015



"Growing Together
Through Education"

**2010-2011
Advanced Placement
Achievement District**

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Edward Agundez
Dr. Jose Luis Araux
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Superintendent

Grant Bennett
Assistant Superintendent
Educational Services

Tonya Davis
Executive Director
Human Resources

Candace Reines
Assistant Superintendent
Business Services

Steve Swartz
Assistant Superintendent
Human Resources

District Administration Center
155 E. Fourth Street
Perris, CA 92570
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Fax Numbers:
Superintendent's Office
951-940-5378
Business Services
951-940-5301
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1151 N. A Street
Perris, CA 92570
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District Website:
www.puhsd.org

This section of Perris Union High School District's (the District) (2014-2015) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from 2014. 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, 2015

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The funding structure for school districts was recently changed to what is called the Local Control Funding Formula, or LCFF. This gave our District, like other districts in the State, the flexibility to make funding decisions that would provide the most impact and be most beneficial for our students. Here at Perris Union High School District (PUHSD), we embraced the opportunity for local control and are providing a vast array of innovative programs and opportunities for our students. With this local control comes accountability, the District's Local Control Accountability Plan, or LCAP goals are:

- Goal #1: All students will attain proficiency in all academic areas.
- Goal #2: All students will graduate from high school prepared for postsecondary and career options.
- Goal #3: All departments and sites will provide a safe and positive learning environment for all students and staff.
- Goal #4: Secure and strengthen home-school-community connections and communications.

It is with these goals in mind that our District developed the new and innovative programs and opportunities for our students that guide spending.

During 2014-2015, the District has continued to focus on student engagement along with attendance goals resulting in an increase in student attendance. The continued focus on Science, Technology, Engineering, and Math (STEM) has also resulted in higher student in-seat time and in turn improving student test scores, an increase to graduation rates, and an increase in LCFF funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs. In the 2014-2015 school year, we have completed Phase 1B of Perris High School opening 18 new classrooms for students along with opening up the interim housing in preparation for Phase 2 of our modernization project. At Heritage High School we opened 9 classrooms in the STEM building making way for students to access rigorous world-class curriculum that allows students to apply what they are learning in core curriculum to real-life projects with a facility that provided more equipment and technology than most junior colleges in the State. At Paloma Valley High School a new football field was awaiting the team for the 2014 season. Along with the field we resurfaced the gym floors at Paloma Valley High School as well as gym floors throughout the District.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$136,300,507 for the fiscal year ended June 30, 2015. Of this amount, (\$82,030,148) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>as Restated 2014</u>
Assets		
Current and other assets	\$ 67,906,414	\$ 85,486,958
Capital assets	268,324,139	256,111,938
Total Assets	<u>336,230,553</u>	<u>341,598,896</u>
Deferred Outflows of Resources	<u>5,613,111</u>	<u>4,640,735</u>
Liabilities		
Current liabilities	11,143,936	28,980,681
Long-term obligations (includes current portion)	112,814,484	115,802,639
Net pension liability	64,386,681	80,617,106
Total Liabilities	<u>188,345,101</u>	<u>225,400,426</u>
Deferred Inflows of Resources	<u>17,198,056</u>	<u>-</u>
Net Position		
Net investment in capital assets	176,874,054	173,973,792
Restricted	41,456,601	27,623,816
Unrestricted	(82,030,148)	(80,758,403)
Total Net Position	<u>\$ 136,300,507</u>	<u>\$ 120,839,205</u>

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The (\$82,030,148) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

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	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 1,805,437	\$ 3,254,006
Operating grants and contributions	15,381,150	17,396,617
Capital grants and contributions	6,576,194	11,524,538
General revenues:		
Federal and State aid, not restricted	65,133,832	56,193,321
Property taxes	29,286,721	26,542,652
Other general revenues	13,837,566	4,776,865
Total Revenues	<u>132,020,900</u>	<u>119,687,999</u>
Expenses		
Instruction	63,789,496	61,526,505
Instruction-related	11,563,495	10,635,165
Pupil services	12,283,716	11,285,899
Administration	7,501,206	7,159,185
Maintenance and operations	10,869,985	10,607,739
Other outgo	10,551,700	10,467,439
Total Expenses	<u>116,559,598</u>	<u>111,681,932</u>
Change in Net Position	<u>\$ 15,461,302</u>	<u>\$ 8,006,067</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$116,559,598. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$29,286,721. The remaining cost was paid by those who benefited from the programs; \$1,805,437, or by other governments and organizations who subsidized certain programs with \$21,957,344 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, 2015

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction and instruction-related	\$ 75,352,991	\$ 72,161,670	\$ 59,512,233	\$ 49,367,841
Pupil services	12,283,716	11,285,899	7,419,259	5,777,323
Administration	7,501,206	7,159,185	6,559,593	5,990,335
Maintenance and operations	10,869,985	10,607,739	10,866,532	10,595,519
Other outgo	10,551,700	10,467,439	8,439,200	7,775,753
Total	\$ 116,559,598	\$ 111,681,932	\$ 92,796,817	\$ 79,506,771

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$58,345,817 which is an increase of \$596,000, from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 9,776,966	\$ 90,808,110	\$ 91,783,965	\$ 8,801,111
Building Fund	20,520,633	30,174,110	43,482,372	7,212,371
County School Facilities Fund	7,044,396	6,576,194	43,907	13,576,683
Capital Projects Fund for Blended Component Units	1,727,159	7,271,533	2,286,403	6,712,289
Bond Interest and Redemption Fund	7,613,427	8,563,797	7,039,915	9,137,309
Non-Major Governmental Funds	11,067,236	18,405,961	16,567,143	12,906,054
Total	\$ 57,749,817	\$ 161,799,705	\$ 161,203,705	\$ 58,345,817

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund decreased by \$975,855. The net decrease is primarily due to a slight increase in expenditures relating to the implementation of the Local Control Accountability Plan (LCAP) and spending down one-time monies carried over from the prior year.
2. The Charter School Fund balance increased by \$157,554. The net increase is primarily due to One-Time Mandated Costs monies along with Lottery monies being carried over to be spent in the 2015-2016 school year.
3. The Capital Facilities Fund, County School Facilities Fund, and the Bond Building Fund decreased by \$5,813,631 collectively due to multi-year 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 66.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$268,324,139 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 \$12,212,201 or 4.77 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 36,769,473	\$ 27,668,957
Buildings and improvements, net of depreciation	229,041,243	225,262,003
Furniture and equipment, net of depreciation	2,513,423	3,180,978
Total	\$ 268,324,139	\$ 256,111,938

This year's increase of \$12,212,201 is primarily a result of facilities improvement projects, including new construction and modernization projects. We present more detailed information about our capital assets in Note 4 to the financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Long-Term Obligations

At the end of this year, the District had \$112,814,484 in long-term obligations outstanding versus \$115,802,639 last year, a decrease of 2.58 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 94,698,346	\$ 95,753,383
Certificates of participation	7,075,000	7,385,000
Qualified school construction bonds	1,694,511	1,811,530
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	1,733,521	2,270,626
Other	2,613,106	3,582,100
Total	\$ 112,814,484	\$ 115,802,639

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.

Net Pension Liability (NPL)

At year-end, the District has a pension liability of \$64,386,681 as a result of implementing GASB Statement No. 68.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015

Accomplishments supporting student learning throughout the 2014-2015 school year included the successful continued District support of a one-to-one device initiative for all students under the Scholar+ teaching and learning plan. Perris Union High School District has Future Ready schools that ensure there is equitable access to quality digital content. There is no shortage of opportunity in our District for students and staff to access world-class digital content. Scholar+ allows students to have access to devices in and out of school, including taking devices home for the summer. Future Ready schools empower educators with purposeful and rewarding professional development opportunities. Providing rich and rewarding PD allows us to grow and helps us make more informed decisions as to how we shape our instructional design.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

We also settled contract negotiations at the end of the 2014-2015 school year, which provided for the largest salary increase in recent history, and certainly the largest in the County. While this was undoubtedly celebrated by all, especially following a not so distant deep recession, the agreement added 25 minutes to the teaching day allowing us to move from a six to a seven-period day for students, like was already in place for CMI. A seven-period day is an important victory for our students, teachers, and the District as a whole. A seven-period day will greatly increase our students chances of completing their A-G requirements for colleges and universities. It will also give our students greater opportunities to take foreign language, art, music, and career technical education classes. Further, with the resulting bell schedules, PUHSD teachers not only maintain their weekly PLC time, but they also gain professional development and collaboration time when students release early on Wednesday's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria at adoption:

1. District enrollment of 9,750 and the Charter School's enrollment of 1,041 are projected to be 10,791 in total. This represented an increase of 2.26 percent District-wide. Overall District Average Daily Attendance (ADA) including charters is projected to be 10,023. This represents an increase of 214 ADA.
2. Lottery funding for 2015-2016 is projected to be \$181 per prior-year annual ADA. This per pupil rate reflects \$140 per pupil for unrestricted lottery revenues and \$41 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at \$9,587 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 1.02 percent and is a 14.97 percent increase to the 2013-2014 LCFF entitlement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	\$ 56,579,103
Receivables	7,908,911
Due from other funds	3,369,632
Prepaid expenditures	21,169
Stores inventories	27,599
Capital assets	
Land and construction in process	36,769,473
Other capital assets	311,924,657
Accumulated depreciation	<u>(80,369,991)</u>
Total Capital Assets	<u>268,324,139</u>
Total Assets	<u>336,230,553</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	<u>5,613,111</u>
 LIABILITIES	
Accounts payable	6,147,905
Interest payable	1,583,339
Due to other funds	3,369,632
Unearned revenue	43,060
Current portion long-term obligations other than pensions	6,836,030
Noncurrent portion of long-term obligations other than pensions	105,978,454
Aggregate net pension liability	<u>64,386,681</u>
Total Liabilities	<u>188,345,101</u>
 DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	<u>17,198,056</u>
 NET POSITION	
Net investment in capital assets	176,874,054
Restricted for:	
Debt service	12,640,936
Capital projects	22,871,093
Educational programs	3,052,258
Other activities	2,892,314
Unrestricted	<u>(82,030,148)</u>
Total Net Position	<u>\$ 136,300,507</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, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 63,789,496	\$ 57,881	\$ 8,395,825	\$ 6,576,194	\$ (48,759,596)
Instruction-related activities:					
Supervision of instruction	2,269,339	-	728,463	-	(1,540,876)
Instructional library, media and technology	634,648	-	-	-	(634,648)
School site administration	8,659,508	3,014	79,381	-	(8,577,113)
Pupil services:					
Home-to-school transportation	2,966,196	-	-	-	(2,966,196)
Food services	3,603,347	482,191	3,479,734	-	358,578
All other pupil services	5,714,173	-	902,532	-	(4,811,641)
Administration:					
Data processing	2,111,619	-	-	-	(2,111,619)
All other administration	5,389,587	78,668	862,945	-	(4,447,974)
Plant services	10,869,985	400	3,053	-	(10,866,532)
Ancillary services	1,835,677	-	799	-	(1,834,878)
Community services	1,460	-	1,460	-	-
Enterprise services	6,529	-	-	-	(6,529)
Interest on long-term obligations	7,350,008	-	-	-	(7,350,008)
Other outgo	1,358,026	1,183,283	926,958	-	752,215
Total Governmental Activities	\$ 116,559,598	\$ 1,805,437	\$ 15,381,150	\$ 6,576,194	(92,796,817)
General revenues and subventions:					
					20,179,810
					8,538,583
					568,328
					65,133,832
					72,883
					13,764,683
					<u>108,258,119</u>
					Change in Net Position
					<u>15,461,302</u>
					196,815,576
					(75,976,371)
					<u>120,839,205</u>
					<u>\$ 136,300,507</u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 9,893,601	\$ 7,939,598	\$ 9,729,496
Receivables	3,379,852	10,223	3,847,187
Due from other funds	660,305	-	-
Prepaid expenditures	16,354	-	-
Stores inventories	-	-	-
Total Assets	\$ 13,950,112	\$ 7,949,821	\$ 13,576,683
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,750,276	\$ 549,296	\$ -
Due to other funds	363,994	188,154	-
Unearned revenue	34,731	-	-
Total Liabilities	5,149,001	737,450	-
FUND BALANCES			
Nonspendable	41,354	-	-
Restricted	2,981,150	7,212,371	13,576,683
Assigned	-	-	-
Unassigned	5,778,607	-	-
Total Fund Balances	8,801,111	7,212,371	13,576,683
Total Liabilities and Fund Balances	\$ 13,950,112	\$ 7,949,821	\$ 13,576,683

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
\$ 7,665,005	\$ 9,137,309	\$ 12,214,094	\$ 56,579,103
-	-	671,649	7,908,911
-	-	1,500,869	2,161,174
-	-	4,815	21,169
-	-	27,599	27,599
<u>\$ 7,665,005</u>	<u>\$ 9,137,309</u>	<u>\$ 14,419,026</u>	<u>\$ 66,697,956</u>
\$ -	\$ -	\$ 848,333	\$ 6,147,905
952,716	-	656,310	2,161,174
-	-	8,329	43,060
<u>952,716</u>	<u>-</u>	<u>1,512,972</u>	<u>8,352,139</u>
-	-	35,754	77,108
6,712,289	9,137,309	10,632,509	50,252,311
-	-	2,237,791	2,237,791
-	-	-	5,778,607
<u>6,712,289</u>	<u>9,137,309</u>	<u>12,906,054</u>	<u>58,345,817</u>
<u>\$ 7,665,005</u>	<u>\$ 9,137,309</u>	<u>\$ 14,419,026</u>	<u>\$ 66,697,956</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds		\$ 58,345,817
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:	\$ 348,694,130	
Accumulated depreciation is:	<u>(80,369,991)</u>	
Net Capital Assets		268,324,139
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		
		5,613,111
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.		
		(1,583,339)
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		
		(17,198,056)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(64,386,681)
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	77,983,834	
Certificates of participation	7,075,000	
Qualified school construction bonds	1,694,511	
QZAB lease purchase agreement	5,000,000	
Capital leases	1,733,521	
Compensated absences (vacations)	406,961	
Supplemental employee retirement plan (SERP)	1,383,645	
Choice 2000 settlement agreement	822,500	
Unamortized premium	4,112,211	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:		
	<u>12,602,301</u>	
Total Long-Term Obligations		(112,814,484)
Total Net Position - Governmental Activities		<u><u>\$ 136,300,507</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, 2015**

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 75,288,332	\$ -	\$ -
Federal sources	6,756,109	-	-
Other State sources	5,470,662	-	6,541,721
Other local sources	5,316,204	73,380	34,473
Total Revenues	92,831,307	73,380	6,576,194
EXPENDITURES			
Current			
Instruction	52,789,970	-	-
Instruction-related activities:			
Supervision of instruction	2,113,954	-	-
Instructional library, media, and technology	619,383	-	-
School site administration	6,925,247	-	-
Pupil services:			
Home-to-school transportation	2,866,928	-	-
Food services	123	-	-
All other pupil services	5,551,858	-	-
Administration:			
Data processing	2,045,070	-	-
All other administration	4,561,599	-	-
Plant services	10,445,884	-	-
Facility acquisition and construction	2,309,860	13,381,642	43,907
Ancillary services	1,709,374	-	-
Community services	1,460	-	-
Other outgo	624,215	-	-
Debt service			
Principal	1,242,237	-	-
Interest and other	-	-	-
Total Expenditures	93,807,162	13,381,642	43,907
Excess (Deficiency) of Revenues Over Expenditures	(975,855)	(13,308,262)	6,532,287
Other Financing Sources (Uses)			
Transfers in	-	-	-
Proceeds from issuance of bonds	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	(975,855)	(13,308,262)	6,532,287
Fund Balances - Beginning	9,776,966	20,520,633	7,044,396
Fund Balances - Ending	\$ 8,801,111	\$ 7,212,371	\$ 13,576,683

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
\$ -	\$ -	\$ 7,433,518	\$ 82,721,850
-	-	3,592,409	10,348,518
-	103,242	693,308	12,808,933
8,224,249	8,453,193	3,425,750	25,527,249
<u>8,224,249</u>	<u>8,556,435</u>	<u>15,144,985</u>	<u>131,406,550</u>
-	-	4,810,568	57,600,538
-	-	32,843	2,146,797
-	-	6,564	625,947
-	-	1,211,640	8,136,887
-	-	-	2,866,928
-	-	3,609,570	3,609,693
-	-	216,022	5,767,880
-	-	44,183	2,089,253
-	-	983,545	5,545,144
-	-	643,718	11,089,602
-	-	3,360,630	19,096,039
-	-	137,612	1,846,986
-	-	-	1,460
668,847	-	64,964	1,358,026
-	31,924,868	417,019	33,584,124
-	5,215,777	413,771	5,629,548
<u>668,847</u>	<u>37,140,645</u>	<u>15,952,649</u>	<u>160,994,852</u>
<u>7,555,402</u>	<u>(28,584,210)</u>	<u>(807,664)</u>	<u>(29,588,302)</u>
-	-	3,184,766	3,184,766
-	30,108,092	76,210	30,184,302
(2,570,272)	-	(614,494)	(3,184,766)
<u>(2,570,272)</u>	<u>30,108,092</u>	<u>2,646,482</u>	<u>30,184,302</u>
4,985,130	1,523,882	1,838,818	596,000
1,727,159	7,613,427	11,067,236	57,749,817
<u>\$ 6,712,289</u>	<u>\$ 9,137,309</u>	<u>\$ 12,906,054</u>	<u>\$ 58,345,817</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ 596,000**

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	\$ 19,536,294	
Depreciation expense	<u>(7,324,093)</u>	
Net Expense Adjustment		12,212,201

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$76,090, supplemental retirement earned was less than the amount used by \$927,584 and settlement agreement was \$117,500.

968,994

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

4,745

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	(26,510,000)
Premium for general obligation bonds	(3,674,302)

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

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 32,620,000
Premium for general obligation bonds	15,100
Certificates of participation	310,000
Qualified school construction bonds	117,019
Capital lease obligations	537,105

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by \$339,799 and second, \$1,395,761 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	<u>(1,735,560)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 15,461,302</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	<u>\$ 38,380,392</u>	<u>\$ 568,804</u>	<u>\$ 38,949,196</u>
LIABILITIES			
Due to student groups	\$ -	\$ 568,804	\$ 568,804
Due to bond holders	<u>38,380,392</u>	<u>-</u>	<u>38,380,392</u>
Total Liabilities	<u>\$ 38,380,392</u>	<u>\$ 568,804</u>	<u>\$ 38,949,196</u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Other Related Entities

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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, 2015

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).

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).

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 obligation.

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 obligation.

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, 2015

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

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

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

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, 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.

Prepaid Expenditures

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

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.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for current year pension contributions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$41,456,601 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.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- 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.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$75,976,371. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No., 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 56,579,103
Fiduciary funds	38,949,196
Total Deposits and Investments	<u>\$ 95,528,299</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 3,107,429
Cash in revolving	28,340
Investments	92,392,530
Total Deposits and Investments	<u>\$ 95,528,299</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, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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	\$ 4,385,532	N/A
First American Government Obligation Fund Class D	784,108	N/A
Money Market	38,380,440	N/A
Riverside County Investment Pool	50,669,294	402 days*
Total	\$ 94,219,374	

* 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, 2015	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	Not Rated	\$ 4,385,532
First American Government Obligation Fund Class D	Not Required	Not Rated	784,108
Money Market	Not Required	Not Rated	38,380,440
Riverside County Investment Pool	Not Required	AAA/V1	50,669,294
Total Investments			\$ 94,219,374

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the District's bank balance of \$4,310,313 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, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 1,330,137	\$ -	\$ -	\$ 522,404	\$ 1,852,541
State Government					
Local Control Funding					
Formula	411,084	-	-	54,581	465,665
Categorical aid	420,802	-	3,838,451	-	4,259,253
Lottery	801,647	-	-	86,143	887,790
Local Government					
Interest	14,267	8,573	8,736	4,984	36,560
Other Local Sources	401,915	1,650	-	3,537	407,102
Total	<u>\$ 3,379,852</u>	<u>\$ 10,223</u>	<u>\$ 3,847,187</u>	<u>\$ 671,649</u>	<u>\$ 7,908,911</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in Progress	16,123,945	14,218,049	5,117,533	25,224,461
Total Capital Assets Not Being Depreciated	<u>27,668,957</u>	<u>14,218,049</u>	<u>5,117,533</u>	<u>36,769,473</u>
Capital Assets Being Depreciated:				
Land Improvements	19,009,372	128,763	-	19,138,135
Buildings	272,211,028	9,964,608	-	282,175,636
Equipment	10,268,479	342,407	-	10,610,886
Total Capital Assets Being Depreciated	<u>301,488,879</u>	<u>10,435,778</u>	<u>-</u>	<u>311,924,657</u>
Total Capital Assets	<u>329,157,836</u>	<u>24,653,827</u>	<u>5,117,533</u>	<u>348,694,130</u>
Less Accumulated Depreciation:				
Land Improvements	11,191,352	584,950	-	11,776,302
Buildings	54,767,045	5,729,181	-	60,496,226
Equipment	7,087,501	1,009,962	-	8,097,463
Total Accumulated Depreciation	<u>73,045,898</u>	<u>7,324,093</u>	<u>-</u>	<u>80,369,991</u>
Governmental Activities Capital Assets, Net	<u>\$ 256,111,938</u>	<u>\$ 17,329,734</u>	<u>\$ 5,117,533</u>	<u>\$ 268,324,139</u>

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

Governmental Activities	
Instruction	\$ 6,370,056
School site administration	823,521
Data processing	64,305
All other administration	6,592
Plant services	59,619
Total Depreciation Expenses All Activities	<u>\$ 7,324,093</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 3,995	\$ -	\$ 656,310	\$ 660,305
Non-Major Governmental Funds	363,994	184,159	952,716	-	1,500,869
Total	<u>\$ 363,994</u>	<u>\$ 188,154</u>	<u>\$ 952,716</u>	<u>\$ 656,310</u>	<u>\$ 2,161,174</u>

A balance of \$365,825 is due to the General Fund from the Non-Major Governmental Charter School Fund for indirect costs, oversight fees, and reimbursement of program expenditures.

A balance of \$96,126 is due to the General Fund from the Non-Major Governmental Adult Education Fund for reimbursement of program expenditures and return of contribution.

A balance of \$194,359 is due to the General Fund from the Non-Major Governmental Cafeteria Fund for a reimbursement of program expenditures and indirect costs.

A balance of \$3,995 is due to the General Fund from Building Fund for reimbursement of program expenditures.

A balance of \$184,159 is due to the Capital Facilities from Building Fund for reimbursement of program expenditures.

A balance of \$360,571 is due to the Non-Major Governmental Charter School Fund from the General Fund for In-Lieu property taxes.

A balance of \$3,423 is due to the Non-Major Governmental Cafeteria Fund from the General Fund for negative student meal accounts.

A balance of \$952,716 is to the Non-Major Governmental Capital Facilities Fund from the Non-Major Capital Project Fund for Blended Component Units for debt service expenditures.

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

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>Capital Project Fund for Blended Component Units</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-Major Governmental Funds	\$ 2,570,272	\$ 614,494	\$ 3,184,766

The Capital Project Fund for Blended Component Units transferred to the Non-Major Governmental Capital Facilities Fund to reimburse for construction payments. \$ 2,570,272

The Debt Service Non-Major Governmental Fund transferred to the Debt Service Fund for Blended Component Units Non-Major Governmental Fund to reimburse for construction payments. 614,494

Total \$ 3,184,766

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Vendor payables	\$ 2,743,516	\$ 6,081	\$ 199,560	\$ 2,949,157
Local control funding formula	1,582,322	-	150,027	1,732,349
Salaries and benefits	379,458	3,923	45,046	428,427
Construction	44,980	539,292	453,700	1,037,972
Total	<u>\$ 4,750,276</u>	<u>\$ 549,296</u>	<u>\$ 848,333</u>	<u>\$ 6,147,905</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 28,656	\$ -	\$ 28,656
State categorical aid	6,075	-	6,075
Other local	-	8,329	8,329
Total	<u>\$ 34,731</u>	<u>\$ 8,329</u>	<u>\$ 43,060</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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds	\$ 95,300,374	\$ 27,905,761	\$ 32,620,000	\$ 90,586,135	\$ 4,795,823
Premium on bond	453,009	3,674,302	15,100	4,112,211	-
Certificates of Participation	7,385,000	-	310,000	7,075,000	320,000
Qualified school construction bonds	1,811,530	-	117,019	1,694,511	118,145
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	2,270,626	-	537,105	1,733,521	556,978
Compensated absences	330,871	76,090	-	406,961	-
SERP	2,311,229	-	927,584	1,383,645	927,584
OPEB Obligation	-	53,670	53,670	-	-
Choice 2000 settlement agreement	940,000	-	117,500	822,500	117,500
	<u>\$ 115,802,639</u>	<u>\$ 31,709,823</u>	<u>\$ 34,697,978</u>	<u>\$ 112,814,484</u>	<u>\$ 6,836,030</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.

Payments on the Certificates of Participation are made from the Debt Service Fund for Blended Component Units.

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

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2014	Issued	Capital Appreciation	Redeemed	Outstanding June 30, 2015
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 6,760,681	\$ -	\$ 462,701	\$ -	\$ 7,223,382
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	8,491,000	-	442,269	540,000	8,393,269
2/25/05	9/1/14	3.00 - 4.25%	7,805,000	680,000	-	-	680,000	-
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	38,965,597	-	445,970	29,370,000	10,041,567
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	5,403,096	-	44,821	435,000	5,012,917
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	35,000,000	-	-	1,595,000	33,405,000
11/6/14	9/1/24	2.00-4.00%	26,510,000	-	26,510,000	-	-	26,510,000
				<u>\$ 95,300,374</u>	<u>\$ 26,510,000</u>	<u>\$ 1,395,761</u>	<u>\$ 32,620,000</u>	<u>\$ 90,586,135</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, 2015, the principal balance outstanding was \$7,223,382.

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, 2015, the principal balance outstanding was \$8,393,269.

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, 2015, there were no remaining balances outstanding.

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, 2015, the principal balance outstanding was \$10,041,567.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the principal balance outstanding was \$5,012,917.

Election 2012, Series A General Obligation Bonds

In July 2013, the District issued \$35,000,000 in Election 2012, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. At June 30, 2015, the principal balance outstanding was \$33,405,000.

Election 2004, Series A General Obligation Refunding Bonds

In November 2014, the District issued \$26,510,000 in Election 2004 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2015, the principal balance outstanding was \$26,510,000.

Debt Service Requirements to Maturity

The bonds mature through 2043, as follows:

Fiscal Year	Principal			Total
	Including Accreted Interest to Date	Accreted Interest	Current Interest	
2016	\$ 4,795,823	\$ 1,423,332	\$ 4,275,277	\$ 10,494,432
2017	4,560,884	1,428,399	2,840,919	8,830,202
2018	3,197,837	1,429,532	2,750,369	7,377,738
2019	3,439,536	1,426,157	2,665,202	7,530,895
2020	3,762,154	1,417,554	2,552,136	7,731,844
2021-2025	29,759,029	6,454,906	10,743,044	46,956,979
2026-2030	15,545,872	3,608,984	7,257,314	26,412,170
2031-2035	6,250,000	-	5,810,400	12,060,400
2036-2040	10,415,000	-	3,656,856	14,071,856
2041-2043	8,860,000	-	689,000	9,549,000
Total	<u>\$ 90,586,135</u>	<u>\$ 17,188,864</u>	<u>\$ 43,240,517</u>	<u>\$ 151,015,516</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, is \$7,075,000.

The certificates mature through 2031, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 320,000	\$ 291,894	\$ 611,894
2017	335,000	278,794	613,794
2018	345,000	265,194	610,194
2019	360,000	251,094	611,094
2020	380,000	236,294	616,294
2021-2025	2,125,000	936,166	3,061,166
2026-2030	2,615,000	435,713	3,050,713
2031	595,000	13,388	608,388
Total	<u>\$ 7,075,000</u>	<u>\$ 2,708,537</u>	<u>\$ 9,783,537</u>

Qualified School Construction Bonds

In October 2011, the District issued \$2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2015, is \$1,694,511.

The bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 118,145	\$ 92,743	\$ 210,888
2017	119,282	86,147	205,429
2018	120,430	79,487	199,917
2019	121,588	72,763	194,351
2020	122,758	65,974	188,732
2021-2025	631,741	225,730	857,471
2026-2029	460,567	51,552	512,119
Total	<u>\$ 1,694,511</u>	<u>\$ 674,396</u>	<u>\$ 2,368,907</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, US Bank held \$4,457,689 for the lease payment.

Capital Leases

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

	School Buses
Balance, July 1, 2014	\$ 2,484,472
Payments	621,118
Balance, June 30, 2015	<u>\$ 1,863,354</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 621,118
2017	621,118
2018	621,118
Total	<u>1,863,354</u>
Less: Amount Representing Interest	129,833
Present Value of Minimum Lease Payments	<u>\$ 1,733,521</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2015, include the following:

Land, buildings, and equipment	\$ 5,238,519
Less: Accumulated depreciation	<u>(4,583,705)</u>
Total	<u><u>\$ 654,814</u></u>

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

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$406,961.

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, 2015, is \$1,383,645.

Year Ending <u>June 30,</u>	<u>Payment</u>
2016	\$ 927,584
2017	283,346
2018	<u>172,715</u>
Total	<u><u>\$ 1,383,645</u></u>

Other Postemployment Benefits (OPEB) Obligation

As of June 30, 2015, the District did not have any OPEB obligation. See Note 10 for additional information regarding the OPEB obligation and the post employment benefits plan.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-2010 for the 2005-2006 fiscal year shall be \$122,200, which sum represents approximately ten percent of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2015, the remaining total future payment due was approximately \$106,925. The repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2016	\$ 15,275
2017	15,275
2018	15,275
2019	15,275
2020	15,275
2021-2022	30,550
Total	<u>\$ 106,925</u>

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, ten percent of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of \$817,799. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2015, the remaining future payment due was approximately \$715,575, the repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2016	\$ 102,225
2017	102,225
2018	102,225
2019	102,225
2020	102,225
2021-2022	204,450
Total	<u>\$ 715,575</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	-	-	-	-
Prepaid expenditures	16,354	-	-	-
Total Nonspendable	<u>41,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	2,981,150	-	-	-
Capital projects	-	7,212,371	13,576,683	6,712,289
Debt services	-	-	-	-
Total Restricted	<u>2,981,150</u>	<u>7,212,371</u>	<u>13,576,683</u>	<u>6,712,289</u>
Assigned				
Other assignments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
Economic uncertainties	<u>5,778,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,801,111</u>	<u>\$ 7,212,371</u>	<u>\$ 13,576,683</u>	<u>\$ 6,712,289</u>

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
\$ -	\$ 3,340	\$ 28,340
-	27,599	27,599
-	4,815	21,169
-	35,754	77,108
-	2,963,422	5,944,572
-	2,582,121	30,083,464
9,137,309	5,086,966	14,224,275
9,137,309	10,632,509	50,252,311
-	2,237,791	2,237,791
-	-	5,778,607
\$ 9,137,309	\$ 12,906,054	\$ 58,345,817

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 2014-2015, 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
2013	\$ 53,670	\$ 53,670	100%	\$ -
2014	53,670	53,670	100%	-
2015	53,670	53,670	100%	-

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, 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, 2015

Workers' Compensation

For fiscal year 2015, 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 defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 50,593,383	\$ 3,714,998	\$ 12,458,524	\$ 4,367,843
CalPERS	13,793,298	1,898,113	4,739,532	1,225,942
Total	<u>\$ 64,386,681</u>	<u>\$ 5,613,111</u>	<u>\$ 17,198,056</u>	<u>\$ 5,593,785</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$3,714,998.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 50,593,383
State's proportionate share of the net pension liability associated with the District	30,550,469
Total	<u>\$ 81,143,852</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.2427 percent.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$4,367,843 and revenue of \$614,350 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,714,998	\$ -
Differences between projected and actual earnings on pension plan investments	-	12,458,524
Total	<u>\$ 3,714,998</u>	<u>\$ 12,458,524</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 3,114,631
2017	3,114,631
2018	3,114,631
2019	3,114,631
Total	<u>\$ 12,458,524</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 78,861,852
Current discount rate (7.60%)	\$ 50,593,383
1% increase (8.60%)	\$ 27,022,617

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$1,898,113.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,793,298. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.3740 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,225,942. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,898,113	\$ -
Differences between projected and actual earnings on pension plan investments	-	4,739,532
Total	<u>\$ 1,898,113</u>	<u>\$ 4,739,532</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,184,883
2017	1,184,883
2018	1,184,883
2019	1,184,883
Total	<u>\$ 4,739,532</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 24,196,594
Current discount rate (7.50%)	\$ 13,793,298
1% increase (8.50%)	\$ 5,100,296

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 \$2,023,197 (5.679 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

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

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, 2015, the District made payments of \$1,497,856, \$7,287,813, and \$558,652 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 196,815,576
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(80,617,106)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	4,640,735
Net Position - Beginning as Restated	<u>\$ 120,839,205</u>

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 65,844,382	\$ 74,669,271	\$ 75,288,332	\$ 619,061
Federal sources	7,161,109	6,613,218	6,756,109	142,891
Other State sources	4,905,518	4,226,792	5,470,662	1,243,870
Other local sources	4,935,761	4,723,907	5,316,204	592,297
Total Revenues ¹	82,846,770	90,233,188	92,831,307	2,598,119
EXPENDITURES				
Current				
Certificated salaries	36,459,809	51,400,826	39,104,316	12,296,510
Classified salaries	12,411,597	10,158,372	14,611,864	(4,453,492)
Employee benefits	15,385,111	8,239,015	17,933,928	(9,694,913)
Books and supplies	5,854,800	1,590,159	4,764,630	(3,174,471)
Services and operating expenditures	13,188,350	7,174,362	13,505,664	(6,331,302)
Capital outlay	1,220,036	13,049,300	2,675,308	10,373,992
Other outgo	616,214	1,278,785	(30,785)	1,309,570
Debt service				
Principal	310,559	-	1,242,237	(1,242,237)
Interest	310,559	-	-	-
Total Expenditures ¹	85,757,035	92,890,819	93,807,162	(916,343)
Excess (Deficiency) of Revenues Over Expenditures	(2,910,265)	(2,657,631)	(975,855)	1,681,776
OTHER FINANCING (USES)				
Transfers out	(13,619)	22,668	-	22,668
NET CHANGE IN FUND BALANCE	(2,923,884)	(2,634,963)	(975,855)	1,704,444
Fund Balance - Beginning	9,776,966	9,776,966	9,776,966	-
Fund Balance - Ending	\$ 6,853,082	\$ 7,142,003	\$ 8,801,111	\$ 1,704,444

¹ On behalf payments of \$2,023,197 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, 2015**

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

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.2727%</u>
District's proportionate share of the net pension liability	\$ 50,593,383
State's proportionate share of the net pension liability associated with the District	<u>30,550,469</u>
Total	<u><u>\$ 81,143,852</u></u>
District's covered - employee payroll	<u>\$ 38,561,927</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability	<u>0.3740%</u>
District's proportionate share of the net pension liability	<u>\$ 13,793,298</u>
District's covered - employee payroll	<u>\$ 12,754,553</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>85.53</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 3,714,998
Contributions in relation to the contractually required contribution	<u>(3,714,998)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 41,835,563</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 1,898,113
Contributions in relation to the contractually required contribution	<u>(1,898,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 16,126,703</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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):			
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	\$ 326,423
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,348,988
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	<u>157,321</u>
Total Special Education (IDEA) Cluster			<u>1,506,309</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14981	3,318,012
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	59,015
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	245,896
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	1,460
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	118,065
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	571,029
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	<u>315,634</u>
Total U.S. Department of Education			<u>6,461,843</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	753,195
National School Lunch Program	10.555	13524	2,530,046
Meal Supplement	10.555	13396	49,716
Summer Food Service Program	10.559	13004	21,424
Food Distribution	10.555	13524	<u>205,556</u>
Total Child Nutrition Cluster			<u>3,559,937</u>
Child and Adult Care Food Program	10.558	13393	<u>32,472</u>
Total U.S. Department of Agriculture			<u>3,592,409</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, 2015**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	\$ 119,210
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	32,956
Medi-Cal Administrative Activities Program	93.778	10060	20,585
Total U.S. Department of Health and Human Services			53,541
Total Federal Programs			\$ 10,227,003

[1] Direct funded program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Nelissen	President	2015
Edward Agundez	Vice President	2016
Joan Cooley	Clerk	2014
Dr. Jose Luis Araux	Member	2016
Carolyn A. Twyman	Member	2016

ADMINISTRATION

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	1,111.09	1,111.11
Ninth through twelfth	7,707.81	7,630.43
Total Regular ADA	<u>8,818.90</u>	<u>8,741.54</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	3.75	3.98
Ninth through twelfth	14.45	14.32
Total Special Education, Nonpublic, Nonsectarian Schools	<u>18.20</u>	<u>18.30</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.80	0.80
Ninth through twelfth	3.65	28.15
Community Day School		
Seventh and eighth	2.93	4.08
Ninth through twelfth	33.73	36.08
Total Community Day School	<u>36.66</u>	<u>40.16</u>
Total ADA	<u>8,878.21</u>	<u>8,828.95</u>
CHARTER SCHOOL		
Regular ADA		
Fourth through sixth	159.31	159.34
Seventh and eighth	313.12	310.72
Ninth through twelfth	451.61	448.40
Total Regular ADA	<u>924.04</u>	<u>918.46</u>
Classroom based ADA		
Fourth through sixth	159.31	159.34
Seventh and eighth	313.12	310.72
Ninth through twelfth	443.95	441.16
Total Classroom Based ADA	<u>916.38</u>	<u>911.22</u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

District

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
				<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000	52,500				
Grade 7			55,260	180	N/A	Complied
Grade 8			55,260	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,730	180	N/A	Complied
Grade 10			65,730	180	N/A	Complied
Grade 11			65,730	180	N/A	Complied
Grade 12			65,730	180	N/A	Complied

California Military Institute

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
				<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000	52,547				
Grade 7			65,112	180	N/A	Complied
Grade 8			65,112	180	N/A	Complied
Grades 9 - 12	64,800	62,949				
Grade 9			65,112	180	N/A	Complied
Grade 10			65,112	180	N/A	Complied
Grade 11			65,112	180	N/A	Complied
Grade 12			65,112	180	N/A	Complied

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND				
Revenues	\$ 106,686,676	\$ 92,831,307	\$ 84,511,616	\$ 77,444,976
Expenditures	105,675,190	93,807,162	86,058,639	74,570,275
Other uses and transfers out	-	-	13,619	-
Total Expenditures and Other Sources	105,675,190	93,807,162	86,072,258	74,570,275
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,011,486	\$ (975,855)	\$ (1,560,642)	\$ 2,874,701
ENDING FUND BALANCE	\$ 9,812,597	\$ 8,801,111	\$ 9,776,966	\$ 11,337,608
AVAILABLE RESERVES²	\$ 3,170,256	\$ 5,778,607	\$ 2,526,594	\$ 3,628,191
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	3.00%	6.30%	3.00%	5.00%
LONG-TERM OBLIGATIONS	N/A	\$112,814,484	\$ 115,802,639	\$ 82,154,491
K-12 AVERAGE DAILY ATTENDANCE AT P-2⁴	9,069	8,878	8,745	8,835

The General Fund balance has decreased by (\$2,536,497) over the past two years. The fiscal year 2015-2016 budget projects an increase of \$1,011,486 (11.49 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$30,659,993 over the past two years.

Average daily attendance has increased by 43 over the past two years. Additional growth of 191 ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 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 \$2,023,197, \$1,852,452, and \$2,006,466, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, 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, 2015**

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 2,466,668	\$ 101,994	\$ 2,642,886	\$ 1,915,583
Receivables	100,703	-	566,674	4,269
Due from other funds	360,571	-	3,423	1,136,875
Prepaid expenses	249	-	4,566	-
Stores inventories	-	-	27,599	-
Total Assets	<u>\$ 2,928,191</u>	<u>\$ 101,994</u>	<u>\$ 3,245,148</u>	<u>\$ 3,056,727</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 259,086	\$ -	\$ 114,641	\$ 474,606
Due to other funds	365,825	96,126	194,359	-
Unearned revenue	-	-	8,329	-
Total Liabilities	<u>624,911</u>	<u>96,126</u>	<u>317,329</u>	<u>474,606</u>
Fund Balances:				
Nonspendable	249	-	35,505	-
Restricted	71,108	-	2,892,314	2,582,121
Assigned	2,231,923	5,868	-	-
Total Fund Balances	<u>2,303,280</u>	<u>5,868</u>	<u>2,927,819</u>	<u>2,582,121</u>
Total Liabilities and Fund Balances	<u>\$ 2,928,191</u>	<u>\$ 101,994</u>	<u>\$ 3,245,148</u>	<u>\$ 3,056,727</u>

See accompanying note to supplementary information.

QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 4,457,689	\$ 3,854	\$ 625,420	\$ 12,214,094
-	3	-	671,649
-	-	-	1,500,869
-	-	-	4,815
-	-	-	27,599
<u>\$ 4,457,689</u>	<u>\$ 3,857</u>	<u>\$ 625,420</u>	<u>\$ 14,419,026</u>
\$ -	\$ -	\$ -	\$ 848,333
-	-	-	656,310
-	-	-	8,329
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512,972</u>
-	-	-	35,754
4,457,689	3,857	625,420	10,632,509
-	-	-	2,237,791
<u>4,457,689</u>	<u>3,857</u>	<u>625,420</u>	<u>12,906,054</u>
<u>\$ 4,457,689</u>	<u>\$ 3,857</u>	<u>\$ 625,420</u>	<u>\$ 14,419,026</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, 2015**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	\$ 7,410,850	\$ 22,668	\$ -	\$ -
Federal sources	-	-	3,592,409	-
Other State sources	417,527	-	275,781	-
Other local sources	22,296	18,302	525,259	2,057,115
Total Revenues	7,850,673	40,970	4,393,449	2,057,115
EXPENDITURES				
Current				
Instruction	4,776,875	33,693	-	-
Instruction-related activities:				
Supervision of instruction	32,843	-	-	-
Instructional library, media, and technology	6,564	-	-	-
School site administration	1,210,231	1,409	-	-
Pupil services:				
Food services	-	-	3,609,570	-
All other pupil services	216,022	-	-	-
Administration:				
Data processing	44,183	-	-	-
All other general administration	484,985	-	194,147	304,413
Plant services	643,718	-	-	-
Facility acquisition and construction	-	-	-	3,360,630
Ancillary services	137,612	-	-	-
Other outgo	-	-	-	-
Debt service				
Principal	117,019	-	-	-
Interest and other	99,277	-	-	-
Total Expenditures	7,769,329	35,102	3,803,717	3,665,043
Excess (Deficiency) of Revenues Over Expenditures	81,344	5,868	589,732	(1,607,928)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	2,570,272
Other sources	76,210	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	76,210	-	-	2,570,272
NET CHANGE IN FUND BALANCES	157,554	5,868	589,732	962,344
Fund Balances - Beginning	2,145,726	-	2,338,087	1,619,777
Fund Balances - Ending	\$ 2,303,280	\$ 5,868	\$ 2,927,819	\$ 2,582,121

See accompanying note to supplementary information.

QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 7,433,518
-	-	-	3,592,409
-	-	-	693,308
188,010	614,730	38	3,425,750
<u>188,010</u>	<u>614,730</u>	<u>38</u>	<u>15,144,985</u>
-	-	-	4,810,568
-	-	-	32,843
-	-	-	6,564
-	-	-	1,211,640
-	-	-	3,609,570
-	-	-	216,022
-	-	-	44,183
-	-	-	983,545
-	-	-	643,718
-	-	-	3,360,630
-	-	-	137,612
64,964	-	-	64,964
-	-	300,000	417,019
-	-	314,494	413,771
<u>64,964</u>	<u>-</u>	<u>614,494</u>	<u>15,952,649</u>
<u>123,046</u>	<u>614,730</u>	<u>(614,456)</u>	<u>(807,664)</u>
-	-	614,494	3,184,766
-	-	-	76,210
-	(614,494)	-	(614,494)
-	(614,494)	614,494	2,646,482
123,046	236	38	1,838,818
4,334,643	3,621	625,382	11,067,236
<u>\$ 4,457,689</u>	<u>\$ 3,857</u>	<u>\$ 625,420</u>	<u>\$ 12,906,054</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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 Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2015. 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:		\$ 10,348,518
Medi-Cal Administrative Activities Program	93.778	<u>(121,515)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 10,227,003</u></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.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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 AUDITOR'S REPORTS

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2015

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, 2015.

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 2, 2015

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

We did not test for the Independent Study Program because the ADA was below the level required for testing.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer Regional Occupational Programs; therefore we did not perform any procedures related to Regional Occupational Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer Charter School Facility Grant Program for the Charter Schools; therefore, we did not perform any procedures for the Program.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 2, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected Reallocation Funds</u>
<u>84.048</u>	<u>Carl D. Perkins Vocational and Technical Education Act</u>
<u>84.287</u>	<u>Title IV, Part B, 21st Century Community Learning Centers Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 306,810</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no audit findings reported in the prior year's schedule of financial statement findings.