



Annual Financial Report  
June 30, 2019

# Perris Union HighSchool District



# PERRIS UNION HIGH SCHOOL DISTRICT

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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Perris Union High School District  
Perris, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2019, and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 69, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 October 31, 2019, on our consideration of the Perris Union 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Perris Union School District's 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 School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
October 31, 2019



# PERRIS UNION HIGH SCHOOL DISTRICT

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

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**Superintendent:** Grant Bennett

**Candace Reines**  
Deputy Superintendent  
Business Services

**Charles Newman, Ed.D.**  
Assistant Superintendent  
Educational Services

**Kirk Skorpanich**  
Assistant Superintendent  
Human Resources

**Joseph Williams**  
Executive Director  
Technology

This section of Perris Union High School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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 (including capital assets), 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 Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

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, 2019**

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

With the Local Control Funding Formula or LCFF, the District is given flexibility to make funding decisions that 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 English Language Arts and mathematics.
- Goal #2: All students will graduate from high school prepared for postsecondary and career options or obtain a certificate of high school completion.
- 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 new and innovative programs and opportunities for our students that guide spending.

During 2018-2019 school year, the District has continued to focus on student engagement and course offerings to increase student attendance. 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. During the 2018-2019 school year, construction began on a new comprehensive high school campus. This campus has been named Liberty High School. Liberty High School is being build on 52 acres of land and will be comprised of educational facilities that will be both flexible/modern and have been designed through the use of an educational specification that captures the educational needs and vision of PUHSD. The approximate 284,000 square foot facility include classrooms facilities that are divided in a way that form schools within a school. These spaces are broken into what are known as SLCs or Small Learning Communities, which contain instructional as well as administrative and counseling facilities in these areas to bring these services closer to students. Science curriculum is housed in areas known as CASE or Centers for Applied Science Exploration. The CASE facilities include lab classrooms, science storage areas, as well as staff collaboration areas. The Liberty campus has a full Visual and Performing Arts (VAPA), facility with a full theater, a stage with fly loft for sets and lighting and a smaller black box theater. Liberty has a full gymnasium, student union, learning commons, stadium, and necessary sports facilities that comprise a fully comprehensive high school facility. Construction on the Liberty Campus will be ongoing through the next two years and will open for students in August 2021. During the 2018-2019 school year, construction on a ten classroom building and concession facilities were ongoing on the Paloma Valley Campus. The classroom building includes four science labs and six regular classrooms. The concession building is made up of a ticket booth, home and visitor restrooms, and a concession area. Also, part of the Paloma Project is the expansion of the area in front of the Paloma Stadium to form a student plaza that helped with student circulation as well as providing an outdoor gathering area for students. 2018-2019 also included the beginning phase of the California Military Institute Gymnasium and Parking/Circulation Project. The project will bring a new gymnasium to the CMI Campus as well as the expansion and reconfiguration of the onsite traffic circulation. Demolition of an existing building at CMI occurred during 2018-2019 to prepare for the beginning of construction on the main portion of this project. Finally, during the 2018-2019 school year, PUHSD continued to plan for the Perris High school Completion Phase Project at Perris High School, which will include a new Administration, Theater, and Athletics buildings as well as a new Agricultural Mechanics building. The plans for this final phase of the Perris High School Transformation Project have been submitted to the Division of State Architecture's office for approval. Construction is scheduled to being during the summer of 2020.

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

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

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

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

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

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

***Governmental Activities*** - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a charter school, and the ongoing 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, 2019

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### *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 Special Tax Bonds and associated student body activities. 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 \$152,919,857 for the fiscal year ended June 30, 2019. Of this amount, (\$94,937,010) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 95,875,297	\$ 73,446,279
Capital assets	334,916,591	312,160,368
<b>Total Assets</b>	<b>430,791,888</b>	<b>385,606,647</b>
<b>Deferred Outflows of Resources</b>	<b>38,928,733</b>	<b>40,366,055</b>
<b>Liabilities</b>		
Current liabilities	12,431,958	8,763,014
Long-term obligations	171,698,257	140,810,256
Net pension liability	125,675,804	120,179,737
<b>Total Liabilities</b>	<b>309,806,019</b>	<b>269,753,007</b>
<b>Deferred Inflows of Resources</b>	<b>6,994,745</b>	<b>7,068,732</b>
<b>Net Position</b>		
Net investment in capital assets	225,049,612	210,549,097
Restricted	22,807,255	29,711,619
Unrestricted (Deficit)	(94,937,010)	(91,109,753)
<b>Total Net Position</b>	<b>\$ 152,919,857</b>	<b>\$ 149,150,963</b>

The (\$94,937,010) in unrestricted deficit of governmental activities represents the *accumulated* results of all past years' operations.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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*Changes in Net Position*

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,643,436	\$ 2,043,863
Operating grants and contributions	23,807,076	19,541,852
Capital grants and contributions	33,478	105,038
General revenues:		
Federal and State aid, not restricted	90,402,898	83,700,584
Property taxes	40,344,159	38,318,131
Other general revenues	11,517,924	10,510,856
<b>Total Revenues</b>	<u>168,748,971</u>	<u>154,220,324</u>
<b>Expenses</b>		
Instruction-related	110,625,612	102,632,491
Pupil services	19,757,039	19,535,664
Administration	9,561,728	9,044,704
Plant services	14,225,455	13,546,232
Other	10,810,243	10,413,253
<b>Total Expenses</b>	<u>164,980,077</u>	<u>155,172,344</u>
<b>Change in Net Position</b>	<u>\$ 3,768,894</u>	<u>\$ (952,020)</u>

*Governmental Activities*

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$164,980,077. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$40,344,159 because the cost was paid by those who benefited from the programs \$2,643,436 or by other governments and organizations who subsidized certain programs with grants and contributions \$23,840,554. We paid for the remaining "public benefit" portion of our governmental activities with \$90,402,898 in Federal and State funds, and with \$11,517,924 in other revenues, like interest and general entitlements.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

In Table 3, we have presented the cost of each of the District's largest functions: instruction, instruction-related activities, pupil services, administration, plant services, and all other services. 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	
	2019	2018	2019	2018
Instruction-related	\$ 110,625,612	\$ 102,632,491	\$ 95,282,463	\$ 90,079,970
Pupil services	19,757,039	19,535,664	13,517,224	13,815,058
Administration	9,561,728	9,044,704	8,495,420	8,170,809
Plant services	14,225,455	13,546,232	14,216,108	13,460,722
All other services	10,810,243	10,413,253	6,984,872	7,955,032
<b>Total</b>	<b>\$ 164,980,077</b>	<b>\$ 155,172,344</b>	<b>\$ 138,496,087</b>	<b>\$ 133,481,591</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$85,024,923 which is an increase of \$18,965,601, from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 12,359,794	\$ 134,407,676	\$ 131,383,536	\$ 15,383,934
Charter School Fund	2,705,818	12,418,162	11,511,747	3,612,233
Building Fund	10,816,437	214,593	11,031,030	-
Capital Facilities Fund	7,403,369	15,870,471	17,326,379	5,947,461
Capital Projects Fund for Blended Component Units	12,166,837	44,965,810	12,496,123	44,636,524
Bond Interest and Redemption Fund	11,836,839	9,451,208	8,779,073	12,508,974
Non-Major Governmental Funds	8,770,228	11,660,757	17,495,188	2,935,797
<b>Total</b>	<b>\$ 66,059,322</b>	<b>\$ 228,988,677</b>	<b>\$ 210,023,076</b>	<b>\$ 85,024,923</b>

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

1. The General Fund is the District's principal operating fund. The fund balance in the General Fund increased by \$3,024,140 from the previous year due to the receipt of one-time monies.
2. The Charter School Fund balance increased by \$906,415. The net increase is primarily due to receiving one-time monies.
3. The Capital Facilities Fund and the Building Fund decreased by \$12,272,345 collectively due to multi-year facilities projects.
4. The Capital Projects Fund for Blended Component Units increased by \$32,469,687 due to issuance of \$41,160,000 in certificates of participation.

### *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. Within 45 days of adoption of the State Budget, the District is required to provide the Board of Education with the budgetary impact. In addition, the budget changes due to having the actual fund balances from previous year are made in September, when the Unaudited Actuals Report is submitted to the Board.

First and Second Interim Financial Reports provide the Board with a comprehensive review of the District budgets and is used to make appropriation adjustments as needed. In addition, the Board approves Resolutions to Budget for Grants and Awards throughout the fiscal year to account for new and/or revised allocations. (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 69.)

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

#### *Capital Assets*

At June 30, 2019, the District had \$334,916,591 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 \$22,756,223 or 7.29 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 53,516,091	\$ 53,561,859
Buildings and improvements, net of depreciation	278,991,513	256,657,793
Furniture and equipment, net of depreciation	2,408,987	1,940,716
<b>Total</b>	<b>\$ 334,916,591</b>	<b>\$ 312,160,368</b>

# PERRIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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This year's increase of \$22,756,223 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 5 to the financial statements.

### *Long-Term Obligations*

At the end of this year, the District had \$171,698,257 in long-term obligations outstanding versus \$140,810,256 last year, an increase of \$30,888,001 or 21.94 percent. These long-term obligations consisted of:

**Table 6**

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 122,744,536	\$ 126,112,537
Certificates of participation	45,765,325	6,075,000
Qualified school construction bonds	1,215,066	1,336,654
Qualified zone academy bonds (QZAB)	-	5,000,000
Capital lease obligations	352,641	522,537
Net other postemployment benefits (OPEB) liability	644,996	701,451
Compensated absences	623,193	592,077
Choice 2000 settlement agreement	352,500	470,000
<b>Total</b>	<b>\$ 171,698,257</b>	<b>\$ 140,810,256</b>

General obligation bonds, capital lease obligations, and qualified school construction bonds decreased by the required annual principal payment. Certificates of participation obligations increased due to issuance of new certificates of participation. Other obligations include accumulated vacation payable, net OPEB liability, and Choice 2000 settlement agreement. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

### *Net Pension Liability (NPL)*

As of June 30, 2019, the District's net pension liability is \$125,675,804.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019***

With the continuation of a seven-period day in the 2018-2019 school year, the District has continued to focus on High School Graduation and College and Career preparedness by increasing the amount of rigorous college preparatory courses offered and creating more opportunities for students to be future-ready through more exposure to college and career readiness activities. This additional period greatly increases our students chances of completing their A-G requirements for colleges and universities and has increased our graduation rate for students. It has also given our students greater opportunities to take a foreign language, art, music, and career technical education classes, as well as the additional opportunities for credit recovery or educational program enhancement.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

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

**JUNE 30, 2019**

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Based on preliminary data, the district was able to meet the goal of maintaining a graduation rate between 92-94 percent. Overall, the 2018-2019 graduate cohort increased by almost 3 percentage points. The district has also demonstrated an increase in the graduation rate for all significant groups (African Americans, English Learners, SWD, White, and SED) of students with positive change which will be reflected in the California Dashboard in November. The preliminary data for 2018-2019 does not include Perris Lake or Scholar+ as these are DASS schools with one-year cohort grad rates. This new system of reporting will not be available until the technical guide is released by CDE. CMI is also calculated separately as a charter school with a preliminary graduation rate of 98.2 percent for the 2018-2019 school year.

In the area of A-G completion, the completion rate increased by almost 7 percentage points. The preliminary data for 2018-2019 does not include Perris Lake or Scholar+ as these are DASS schools with one-year cohort grad rates. This new system of reporting will not be available until the technical guide is released by CDE. CMI is also calculated separately as a charter school with a preliminary A-G completion rate of 98 percent for the 2018-2019 school year.

The district's AP enrollment decreased by 16.16 percent in the 2018-2019 school year. It appears that the decrease in enrollment is possibly due to the increased offerings for students with Dual Enrollment college courses. More content areas and courses have been added to each of the school sites in Dual Enrollment. Students have continued to be provided more access to rigorous courses with a focus on equity and access, which has provided a more diverse population of students in AP classes. In 2018-2019, 29.3 percent of the students who took an AP course passed the AP exam with a 3 or higher.

The district has increased the number of students taking Dual Enrollment courses in the 2018-2019 school year. Additional courses were provided at school sites as more teachers become qualified to teach Dual Enrollment courses. The district had an increase of 10 percent in Dual Enrollment participation. Of the 474 students, 90 percent of students received college credit.

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

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria at adoption:

1. District enrollment of 9,996 and the Charter School's enrollment of 1,000 were projected to be 10,996 in total. This represented an increase of 0.01 percent District-wide. Overall District Average Daily Attendance (ADA) including charters was projected to be 10,257.42. This represents an increase of 69.25 ADA.
2. Lottery funding for 2018-2019 was projected to be \$204 per prior-year annual ADA. This per pupil rate reflects \$151 per pupil for unrestricted lottery revenues and \$53 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at \$11,335 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 3.0 percent and is a 1.44 percent increase to the 2017-2018 LCFF entitlement.

# **PERRIS UNION HIGH SCHOOL DISTRICT**

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

**JUNE 30, 2019**

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

# PERRIS UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 89,916,345
Receivables	5,648,231
Prepaid expenditures	279,325
Stores inventories	31,396
Capital assets	
Land and construction in process	53,516,091
Other capital assets	393,228,919
Less: accumulated depreciation	(111,828,419)
Total Capital Assets	<u>334,916,591</u>
<b>Total Assets</b>	<u><u>430,791,888</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>38,928,733</u>
<b>LIABILITIES</b>	
Accounts payable	10,284,939
Interest payable	1,581,584
Unearned revenue	565,435
Long-term Obligations	
Current portion long-term obligations other than pensions	6,435,258
Noncurrent portion of long-term obligations other than pensions	165,262,999
Total Long-Term Obligations	<u>171,698,257</u>
Aggregate net pension liability	<u>125,675,804</u>
<b>Total Liabilities</b>	<u><u>309,806,019</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>6,994,745</u>
<b>NET POSITION</b>	
Net investment in capital assets	225,049,612
Restricted for:	
Debt service	10,928,812
Capital projects	7,138,335
Educational programs	3,035,116
Other activities	1,704,992
Unrestricted (Deficit)	<u>(94,937,010)</u>
<b>Total Net Position</b>	<u><u>\$ 152,919,857</u></u>

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities:</b>					
Instruction	\$ 93,570,972	\$ 8,342	\$ 13,238,158	\$ 33,478	\$ (80,290,994)
Instruction-related activities:					
Supervision of instruction	4,760,839	-	1,646,891	-	(3,113,948)
Instructional library, media and technology	1,304,278	-	9,808	-	(1,294,470)
School site administration	10,989,523	-	406,472	-	(10,583,051)
Pupil services:					
Home-to-school transportation	4,325,447	-	2,336	-	(4,323,111)
Food services	4,470,412	552,312	4,140,493	-	222,393
All other pupil services	10,961,180	-	1,544,674	-	(9,416,506)
Administration:					
Data processing	2,098,586	-	16,237	-	(2,082,349)
All other administration	7,463,142	149,110	900,961	-	(6,413,071)
Plant services	14,225,455	41	9,306	-	(14,216,108)
Ancillary services	3,189,152	-	70,384	-	(3,118,768)
Community services	18,914	-	16,405	-	(2,509)
Interest on long-term obligations	5,988,760	-	-	-	(5,988,760)
Other outgo	1,613,417	1,933,631	1,804,951	-	2,125,165
<b>Total Governmental Activities</b>	<b>\$ 164,980,077</b>	<b>\$ 2,643,436</b>	<b>\$ 23,807,076</b>	<b>\$ 33,478</b>	<b>(138,496,087)</b>
General revenues and subventions:					
					30,262,079
					9,275,851
					806,229
					90,402,898
					483,230
					11,034,694
					<u>142,264,981</u>
					<u>3,768,894</u>
					<u>149,150,963</u>
					<u>\$ 152,919,857</u>

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Charter School Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 14,644,480	\$ 4,450,307	\$ 2,882,773	\$ 7,930,407
Receivables	4,758,724	172,264	46,111	81,044
Due from other funds	1,208,726	345,447	-	596,771
Prepaid expenditures	249,390	28,740	-	-
Stores inventories	-	-	-	-
<b>Total Assets</b>	<b>\$ 20,861,320</b>	<b>\$ 4,996,758</b>	<b>\$ 2,928,884</b>	<b>\$ 8,608,222</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,544,778	\$ 174,107	\$ 2,882,773	\$ 2,660,686
Due to other funds	388,067	1,206,769	46,111	75
Unearned revenue	544,541	3,649	-	-
<b>Total Liabilities</b>	<b>5,477,386</b>	<b>1,384,525</b>	<b>2,928,884</b>	<b>2,660,761</b>
<b>FUND BALANCES</b>				
Nonspendable	274,391	28,740	-	-
Restricted	3,035,116	166,450	-	5,947,461
Committed	-	-	-	-
Assigned	-	3,417,043	-	-
Unassigned	12,074,427	-	-	-
<b>Total Fund Balances</b>	<b>15,383,934</b>	<b>3,612,233</b>	<b>-</b>	<b>5,947,461</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,861,320</b>	<b>\$ 4,996,758</b>	<b>\$ 2,928,884</b>	<b>\$ 8,608,222</b>

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

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<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 45,187,184	\$ 12,508,974	\$ 2,312,220	\$ 89,916,345
-	-	590,088	5,648,231
-	-	42,620	2,193,564
-	-	1,195	279,325
-	-	31,396	31,396
<u>\$ 45,187,184</u>	<u>\$ 12,508,974</u>	<u>\$ 2,977,519</u>	<u>\$ 98,068,861</u>
\$ -	\$ -	\$ 22,595	\$ 10,284,939
550,660	-	1,882	2,193,564
-	-	17,245	565,435
<u>550,660</u>	<u>-</u>	<u>41,722</u>	<u>13,043,938</u>
-	-	35,481	338,612
44,636,524	12,508,974	2,897,288	69,191,813
-	-	3,028	3,028
-	-	-	3,417,043
-	-	-	12,074,427
<u>44,636,524</u>	<u>12,508,974</u>	<u>2,935,797</u>	<u>85,024,923</u>
\$ 45,187,184	\$ 12,508,974	\$ 2,977,519	\$ 98,068,861

**PERRIS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 85,024,923</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 446,745,010	
Accumulated depreciation is:	<u>(111,828,419)</u>	
Net Capital Assets		334,916,591
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.		(1,581,584)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	12,425,168	
Net change in proportionate share of net pension liability	5,992,966	
Difference between projected and actual earnings on pension plan investments	323,103	
Differences between expected and actual experience in the measurement of the total pension liability.	2,849,955	
Changes in assumptions	<u>17,337,541</u>	
Total Deferred Outflows of Resources Related to Pensions		38,928,733
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(2,418,951)	
Difference between projected and actual earnings on pension plan investments	(3,322,473)	
Differences between expected and actual experience in the measurement of the total pension liability.	<u>(1,253,321)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (6,994,745)

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2019**

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (125,675,804)
Long-term obligations, 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	\$(103,008,691)	
Certificates of participation	(41,160,000)	
Qualified school construction bonds	(1,215,066)	
Capital leases	(352,641)	
Compensated absences (vacations)	(623,193)	
Net other postemployment benefits (OPEB) liability	(644,996)	
Choice 2000 settlement agreement	(352,500)	
Premium on issuance of general obligation bonds and certificates of participation	(8,767,105)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The accretion of interest unmatered on the general obligation bonds to date is:	(15,574,065)	
Total Long-Term Obligations		<u>(171,698,257)</u>
<b>Total Net Position - Governmental Activities</b>		<u><b>\$ 152,919,857</b></u>

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

	<b>General Fund</b>	<b>Charter School Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 104,838,388	\$ 11,173,898	\$ -
Federal sources	8,233,959	131,620	-
Other State sources	14,777,297	943,021	-
Other local sources	6,394,500	113,258	214,593
<b>Total Revenues</b>	<u>134,244,144</u>	<u>12,361,797</u>	<u>214,593</u>
<b>EXPENDITURES</b>			
Current			
Instruction	77,032,898	5,825,832	-
Instruction-related activities:			
Supervision of instruction	3,553,368	1,027,982	-
Instructional library, media, and technology	1,181,671	63,673	-
School site administration	7,854,456	1,617,879	-
Pupil services:			
Home-to-school transportation	3,956,793	361,150	-
Food services	108,858	-	-
All other pupil services	10,203,250	333,877	-
Administration:			
Data processing	1,937,641	83,601	-
All other administration	5,868,683	514,279	-
Plant services	13,776,055	751,411	-
Ancillary services	2,842,369	284,265	-
Community services	16,567	2,347	-
Other outgo	793,954	-	-
Facility acquisition and construction	2,031,451	451,100	11,031,030
Debt service			
Principal	169,896	121,588	-
Interest and other	13,063	72,763	-
<b>Total Expenditures</b>	<u>131,340,973</u>	<u>11,511,747</u>	<u>11,031,030</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,903,171</u>	<u>850,050</u>	<u>(10,816,437)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	163,532	-	-
Other sources	-	56,365	-
Transfers out	(42,563)	-	-
<b>Net Financing Sources (Uses)</b>	<u>120,969</u>	<u>56,365</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>3,024,140</u>	<u>906,415</u>	<u>(10,816,437)</u>
<b>Fund Balances - Beginning</b>	<u>12,359,794</u>	<u>2,705,818</u>	<u>10,816,437</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,383,934</u>	<u>\$ 3,612,233</u>	<u>\$ -</u>

20The accompanying notes are an integral part of these financial statements.

<b>Capital Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 116,012,286
-	-	-	4,026,127	12,391,706
59	-	87,710	480,664	16,288,751
2,933,672	2,318,979	9,363,498	781,795	22,120,295
<u>2,933,731</u>	<u>2,318,979</u>	<u>9,451,208</u>	<u>5,288,586</u>	<u>166,813,038</u>
-	-	-	132,317	82,991,047
-	-	-	1,562	4,582,912
-	-	-	-	1,245,344
-	-	-	123,040	9,595,375
-	-	-	-	4,317,943
-	-	-	4,270,309	4,379,167
-	-	-	-	10,537,127
-	-	-	-	2,021,242
579,001	-	-	215,870	7,177,833
-	-	-	10,031	14,537,497
-	-	-	-	3,126,634
-	-	-	-	18,914
-	766,678	-	52,785	1,613,417
16,747,378	144,720	-	553,313	30,958,992
-	-	4,630,000	11,075,000	15,996,484
-	-	4,149,073	286,335	4,521,234
<u>17,326,379</u>	<u>911,398</u>	<u>8,779,073</u>	<u>16,720,562</u>	<u>197,621,162</u>
<u>(14,392,648)</u>	<u>1,407,581</u>	<u>672,135</u>	<u>(11,431,976)</u>	<u>(30,808,124)</u>
10,975,631	-	-	1,262,751	12,401,914
1,961,109	42,646,831	-	5,109,420	49,773,725
-	(11,584,725)	-	(774,626)	(12,401,914)
<u>12,936,740</u>	<u>31,062,106</u>	<u>-</u>	<u>5,597,545</u>	<u>49,773,725</u>
<u>(1,455,908)</u>	<u>32,469,687</u>	<u>672,135</u>	<u>(5,834,431)</u>	<u>18,965,601</u>
<u>7,403,369</u>	<u>12,166,837</u>	<u>11,836,839</u>	<u>8,770,228</u>	<u>66,059,322</u>
<u>\$ 5,947,461</u>	<u>\$ 44,636,524</u>	<u>\$ 12,508,974</u>	<u>\$ 2,935,797</u>	<u>\$ 85,024,923</u>

20The 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 FOR THE YEAR ENDED JUNE 30, 2019**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 18,965,601**

**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	\$31,769,898	
Depreciation expense	(9,013,675)	
Net Expense Adjustment		22,756,223

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and settlement agreement 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 \$31,116 and settlement agreement paid in the current year was \$117,500.

86,384

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.

(6,859,402)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the change in the net OPEB liability during the year.

56,455

Proceeds received from certificates of participation 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.

\$ (41,160,000)

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, 2019**

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Governmental funds report the effect of premiums when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. \$ (4,605,325)

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	\$ 4,630,000	
Certificates of participation	6,075,000	
Qualified school construction bonds	121,588	
Capital lease obligations	169,896	
QZAB lease purchase agreement	<u>5,000,000</u>	
Combined adjustment		15,996,484

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net changes of the following balance:

Amortization of debt premium	366,274
------------------------------	---------

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, certificates of participation, and qualified school construction bonds increased by \$205,527 and second, \$1,628,273 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

<b>Change in Net Position of Governmental Activities</b>	<u>(1,833,800)</u>
	<u><b>\$ 3,768,894</b></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, 2019**

	<b>Fiduciary Funds</b>		
	<b>Debt Service Fund for Special Tax Bonds</b>	<b>Associated Student Bodies</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,017,817	\$ 816,161	\$ 8,833,978
Stores inventories	-	59,954	59,954
<b>Total Assets</b>	<b>\$ 8,017,817</b>	<b>\$ 876,115</b>	<b>\$ 8,893,932</b>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 876,115	\$ 876,115
Due to bond holders	8,017,817	-	8,017,817
<b>Total Liabilities</b>	<b>\$ 8,017,817</b>	<b>\$ 876,115</b>	<b>\$ 8,893,932</b>

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Perris Union High School District (the District) was incorporated on August 23, 1897, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates one middle school, three high schools, a continuation school, an independent study 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, 2019

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### Other Related Entities

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

**Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Mello-Roos Community Facilities Districts 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, 2019

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**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).

### 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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed 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 to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**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), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), 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.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of 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 Mello-Roos Community Facilities Districts 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, 2019

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**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. 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. Eliminations have been made to minimize the double counting of internal activities.

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, 2019

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

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

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

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

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

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

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

### **Investments**

Investments held at June 30, 2019, 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 (Expenses)**

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 incurred.

### **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, 2019

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### **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**

Compensated absences 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, 2019

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### 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 pension related items.

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 pension related items.

### 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.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment Program (MPP) and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Fund Balances - Governmental Funds

As of June 30, 2019, 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.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$22,807,255 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, 2019

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### 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 89,916,345
Fiduciary funds	8,833,978
Total Deposits and Investments	<u>\$ 98,750,323</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 54,038,407
Cash in revolving	27,890
Investments	44,684,026
Total Deposits and Investments	<u>\$ 98,750,323</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, 2019**

**General Authorizations**

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

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

**Interest Rate Risk**

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

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 present in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
Riverside County Investment Pool	\$ 44,684,026	387

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Moody's Rating June 30, 2019</u>	<u>Reported Amount</u>
Riverside County Investment Pool	Not Required	Aaa-bf	<u>\$ 44,684,026</u>

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$53,538,407 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 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Riverside County Investment Pool	<u>\$44,684,026</u>	<u>\$ 44,684,026</u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government						
Categorical aid	\$ 2,579,364	\$ 55,507	\$ -	\$ -	\$ 505,612	\$ 3,140,483
State Government						
Local Control						
Funding Formula	46,048	-	-	-	-	46,048
Categorical aid	342,545	37,402	-	-	35,985	415,932
Lottery	452,817	48,849	-	-	-	501,666
Local Government						
Interest	88,844	28,358	46,111	31,518	13,985	208,816
Other Local Sources	1,249,106	2,148	-	49,526	34,506	1,335,286
Total	<u>\$ 4,758,724</u>	<u>\$ 172,264</u>	<u>\$ 46,111</u>	<u>\$ 81,044</u>	<u>\$ 590,088</u>	<u>\$ 5,648,231</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in Progress	42,016,847	26,500,197	26,545,965	41,971,079
Total Capital Assets Not Being Depreciated	<u>53,561,859</u>	<u>26,500,197</u>	<u>26,545,965</u>	<u>53,516,091</u>
Capital Assets Being Depreciated:				
Land Improvements	19,860,533	183,659	-	20,044,192
Buildings	329,606,642	30,657,698	-	360,264,340
Equipment	11,946,078	974,309	-	12,920,387
Total Capital Assets Being Depreciated	<u>361,413,253</u>	<u>31,815,666</u>	<u>-</u>	<u>393,228,919</u>
Total Capital Assets	<u>414,975,112</u>	<u>58,315,863</u>	<u>26,545,965</u>	<u>446,745,010</u>
Less Accumulated Depreciation:				
Land Improvements	13,428,128	546,355	-	13,974,483
Buildings	79,381,254	7,961,282	-	87,342,536
Equipment	10,005,362	506,038	-	10,511,400
Total Accumulated Depreciation	<u>102,814,744</u>	<u>9,013,675</u>	<u>-</u>	<u>111,828,419</u>
Governmental Activities Capital Assets, Net	<u>\$ 312,160,368</u>	<u>\$ 49,302,188</u>	<u>\$ 26,545,965</u>	<u>\$ 334,916,591</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 7,839,553
School site administration	1,013,498
Data processing	79,140
All other administration	8,112
Plant services	73,372
Total Depreciation Expenses All Activities	<u>\$ 9,013,675</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 6 - 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, 2019, between major and non-major governmental funds are as follows:

Due To	Due From						Total
	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,206,769	\$ -	\$ 75	\$ -	\$ 1,882	\$ 1,208,726
Charter School Fund	345,447	-	-	-	-	-	345,447
Capital Facilities Fund	-	-	46,111	-	550,660	-	596,771
Non-Major Governmental Funds	42,620	-	-	-	-	-	42,620
<b>Total</b>	<b>\$ 388,067</b>	<b>\$ 1,206,769</b>	<b>\$ 46,111</b>	<b>\$ 75</b>	<b>\$ 550,660</b>	<b>\$ 1,882</b>	<b>\$ 2,193,564</b>

The balance of \$345,447 is due to the Charter School Fund from the General Fund for in-lieu property taxes and correction of indirect costs.

The balance of \$1,206,769 is due to the General Fund from the Charter School Fund for indirect costs, oversight fees, special education allocation, and reimbursement of miscellaneous expenditures.

The balance of \$46,111 is due to the Capital Facilities Fund from the Building Fund for reimbursement of construction expenditures.

The balance of \$42,620 is due to the Adult Education Non-Major Governmental Fund from the General Fund for contribution of administrator salaries and indirect costs.

The balance of \$550,660 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units for reimbursement of construction 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, 2019**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	Transfer From			
	General Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ -	\$ 163,532	\$ 163,532
Capital Facilities Fund	-	10,975,631	-	10,975,631
Non-Major Governmental Funds	42,563	609,094	611,094	1,262,751
Total	<u>\$ 42,563</u>	<u>\$ 11,584,725</u>	<u>\$ 774,626</u>	<u>\$ 12,401,914</u>

The QZAB Non-Major Governmental Fund transferred to the General Fund to close out the QZAB Fund.	\$ 163,532
The Debt Service Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for certificates of participation debt service payments.	611,094
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund for reimbursement of construction expenditures.	10,975,631
The Capital Project Fund for Blended Component Units transferred to the Debt Service Non-Major Governmental Fund for certificates of participation debt service payments	609,094
The General Fund transferred to the Adult Education Non-Major Governmental Fund for contribution of salary expenditures.	42,563
Total	<u>\$ 12,401,914</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$2,091,901	\$ 65,475	\$ -	\$ 74,795	\$ 3,608	\$ 2,235,779
State principal apportionment	1,930,681	86,776	-	-	-	2,017,457
Salaries and benefits	318,061	21,856	-	5,733	18,987	364,637
Construction	204,135	-	2,882,773	2,580,158	-	5,667,066
Total	<u>\$4,544,778</u>	<u>\$ 174,107</u>	<u>\$2,882,773</u>	<u>\$2,660,686</u>	<u>\$ 22,595</u>	<u>\$ 10,284,939</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Charter School Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 241,631	\$ 3,649	\$ -	\$ 245,280
State categorical aid	302,910	-	-	302,910
Other local	-	-	17,245	17,245
Total	<u>\$ 544,541</u>	<u>\$ 3,649</u>	<u>\$ 17,245</u>	<u>\$ 565,435</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 121,584,483	\$ 1,628,273	\$ 4,630,000	\$ 118,582,756	\$ 5,230,000
Premium on bonds	4,528,054	-	366,274	4,161,780	-
Certificates of participation	6,075,000	41,160,000	6,075,000	41,160,000	965,000
Premium on bonds	-	4,605,325	-	4,605,325	-
Qualified school construction bonds	1,336,654	-	121,588	1,215,066	122,758
Qualified zone academy bonds (QZAB)	5,000,000	-	5,000,000	-	-
Capital leases	522,537	-	169,896	352,641	-
Compensated absences (vacations)	592,077	31,116	-	623,193	-
Net OPEB liability	701,451	-	56,455	644,996	-
Choice 2000 settlement agreement	470,000	-	117,500	352,500	117,500
	<u>\$ 140,810,256</u>	<u>\$ 47,424,714</u>	<u>\$ 16,536,713</u>	<u>\$ 171,698,257</u>	<u>\$ 6,435,258</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 lease obligations are made from the General Fund. Payments for compensated absences are paid for by the fund for which the employee worked. Payments for the net other postemployment benefits (OPEB) liability are made from the General Fund. Payment for the Choice 2000 settlement agreement are made from the Charter School Fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2019	Due in One Year
				Outstanding July 1, 2018	Accreted	Redeemed		
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 6,193,734	\$ 392,632	\$ 865,000	\$ 5,721,366	\$ 910,000
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	7,916,067	419,364	655,000	7,680,431	685,000
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	10,483,872	546,486	-	11,030,358	-
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	3,578,726	67,674	645,000	3,001,400	705,000
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	30,345,000	-	35,000	30,310,000	85,000
11/6/14	9/1/24	2.00 - 4.00%	26,510,000	23,465,000	-	1,520,000	21,945,000	1,750,000
10/20/15	9/1/45	3.00 - 5.00%	40,413,023	39,602,084	202,117	910,000	38,894,201	1,095,000
				<u>\$ 121,584,483</u>	<u>\$ 1,628,273</u>	<u>\$ 4,630,000</u>	<u>\$ 118,582,756</u>	<u>\$ 5,230,000</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Debt Service Requirements to Maturity

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2020	\$ 5,187,822	\$ 42,178	\$ 3,998,236	\$ 9,228,236
2021	5,733,422	141,578	3,868,569	9,743,569
2022	6,319,448	245,552	3,666,336	10,231,336
2023	4,991,370	663,630	3,487,019	9,142,019
2024	4,693,196	466,804	3,278,602	8,438,602
2025-2029	27,405,527	6,519,473	9,034,720	42,959,720
2030-2034	13,961,554	4,438,446	12,225,275	30,625,275
2035-2039	13,490,417	3,969,583	9,754,894	27,214,894
2040-2044	26,060,000	-	6,612,750	32,672,750
2045-2046	10,740,000	-	4,170,662	14,910,662
Total	<u>\$ 118,582,756</u>	<u>\$ 16,487,244</u>	<u>\$ 60,097,063</u>	<u>\$ 195,167,063</u>

### General Obligation Bonds

#### General Obligation Bonds, 1999 Election, Series A

In May 2000, the District issued \$8,313,075 in General Obligation Bonds, 1999 Election, Series A. 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. The Bonds mature March 1, 2025, with interest rates ranging from 6.05 percent to 6.40 percent. \$ 5,721,366

#### General Obligation Bonds, 1999 Election, Series B

In November 2002, the District issued \$7,686,807 in General Obligations Bonds, Election 1999, Series B. 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. The Bonds mature September 1, 2027, with interest rates ranging from 4.60 percent to 5.51 percent. 7,680,431

#### General Obligation Bonds, 2004 Election, Series A

In February 2005, the District issued \$38,764,558 in General Obligation Bonds, Election 2004, Series A. Proceeds from the Bonds will be used to finance the acquisition, construction, and modernization of various school facilities. The Bonds mature March 1, 2030, with interest rates ranging from 3.00 percent to 5.27 percent. 11,030,358

#### General Obligation Bonds, 2004 Election, Series B

In March 2006, the District issued \$7,232,820 in General Obligation Bonds, Election 2004, Series B. Proceeds from the Bonds will be used to finance the acquisition, construction, and modernization of various school facilities. The Bonds mature September 1, 2022, with interest rates ranging from 3.50 percent to 4.43 percent. 3,001,400

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**General Obligation Bonds, 2012 Election, Series A**

In July 2013, the District issued \$35,000,000 in General Obligation Bonds, 2012 Election, Series A. Proceeds from the Bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. The Bonds mature September 1, 2027, with interest rates ranging from 2.00 percent to 4.25 percent.

30,310,000

**2014 General Obligation Refunding Bonds**

In November 2014, the District issued \$26,510,000 in 2014 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 and to finance the acquisition, construction, and modernization of property and school facilities. The Bonds mature September 1, 2024, with interest rates ranging from 2.00 percent to 4.00 percent.

21,945,000

**General Obligation Bonds, 2012 Election, Series B**

In October 2015, the District issued \$40,413,023 in General Obligation Bonds, 2012 Election, Series B. Proceeds of the Bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and modernization of certain District property and facilities. The Bonds mature September 1, 2045, with interest rates ranging from 3.00 percent to 5.00 percent.

38,894,201

Subtotal bonds outstanding

118,582,756

Premium on General Obligation Bonds, Election 2012, Series A

362,407

Premium on 2014 General Obligation Refunding Bonds

2,449,535

Premium on General Obligation Bonds, Election 2012, Series B

1,349,838

Subtotal premium on bonds

4,161,780

\$ 122,744,536

**Certificates of Participation**

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2018	Issued	Redeemed	Outstanding June 30, 2019	Due in One year
12/20/07	10/1/30	4.00 - 4.50%	\$ 9,100,000	\$ 6,075,000	\$ -	\$ 6,075,000	\$ -	\$ -
4/22/19	10/1/50	3.00 - 5.00%	41,160,000	-	41,160,000	-	41,160,000	965,000
				<u>\$ 6,075,000</u>	<u>\$41,160,000</u>	<u>\$ 6,075,000</u>	<u>\$ 41,160,000</u>	<u>\$ 965,000</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Debt Service Requirements to Maturity**

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 965,000	\$ 1,487,308	\$ 2,452,308
2021	100,000	1,719,200	1,819,200
2022	145,000	1,714,800	1,859,800
2023	185,000	1,708,200	1,893,200
2024	230,000	1,699,900	1,929,900
2025-2029	1,935,000	8,275,750	10,210,750
2030-2034	3,065,000	7,632,125	10,697,125
2035-2039	4,410,000	6,785,050	11,195,050
2040-2044	12,245,000	5,265,375	17,510,375
2045-2049	13,000,000	2,345,000	15,345,000
2050-2051	4,880,000	152,500	5,032,500
Total	<u>\$ 41,160,000</u>	<u>\$ 38,785,208</u>	<u>\$ 79,945,208</u>

**Certificates of Participation**

**2007 Certificates of Participation**

In December 2007, the Corporation issued \$9,100,000 in 2007 Certificates of Participation. Proceeds from the certificates were used to prepay the remaining of the 2010 Certificates of Participation. The Certificates of Participation mature October 1, 2030, with interest rates ranging from 4.00 percent to 4.5 percent. At June 30, 2019, the principal balance outstanding has been paid off.

\$ -

**2019 Certificates of Participation**

In April 2019, the Corporation issued \$41,160,000 in 2019 Certificates of Participation. Proceeds from the certificates were used to prepay the remaining of the 2007 Certificates of Participation and finance capital improvements to District sites and facilities. The Certificates of Participation mature October 1, 2050, with interest rates ranging from 3.00 percent to 5.00 percent.

41,160,000

Subtotal certificates of participation outstanding

41,160,000

Premium on 2019 Certificates of Participation

4,605,325

\$45,765,325

**Qualified School Construction Bonds**

The outstanding qualified school construction bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2018	Redeemed	Outstanding June 30, 2019	Due in One Year
9/1/11	9/1/28	5.57%	\$ 2,100,000	<u>\$ 1,336,654</u>	<u>\$ 121,588</u>	<u>\$ 1,215,066</u>	<u>\$ 122,758</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Debt Service Requirements to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 122,758	\$ 65,974	\$ 188,732
2021	123,940	59,120	183,060
2022	125,132	52,200	177,332
2023	126,337	45,213	171,550
2024	127,552	38,159	165,711
2025-2029	589,347	82,591	671,938
Total	<u>\$ 1,215,066</u>	<u>\$ 343,257</u>	<u>\$ 1,558,323</u>

**Qualified School Construction Bonds**

In September 2011, the Corporation issued \$2,100,000 in Qualified School Construction Bonds. Proceeds from the Bonds will be used to finance the acquisition, construction, and modernization of District property and school facilities. The Bonds mature September 1, 2028, with interest rate set at 5.57 percent per annum.

\$ 1,215,066

**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, 2019, the principal balance outstanding has been paid off.

**Capital Leases**

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

	<u>Equipment Lease</u>
Balance, July 1, 2018	\$ 548,880
Payments	182,960
Balance, June 30, 2019	<u>\$ 365,920</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	\$ 182,960
2021	182,960
Total	<u>365,920</u>
Less: Amount Representing Interest	13,279
Present Value of Minimum Lease Payments	<u>\$ 352,641</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$623,193.

### Choice 2000 Settlement Agreement

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, 2019, the remaining total future payment due was approximately \$45,825. The repayment schedule is summarized as follows:

Fiscal Year	Settlement Payment
2020	\$ 15,275
2021	15,275
2022	15,275
Total	<u>\$ 45,825</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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, 2019, the remaining future payment due was approximately \$306,675, the repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2020	\$ 102,225
2021	102,225
2022	102,225
Total	<u>\$ 306,675</u>

**Net Other Post Employment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported net OPEB liability and OPEB expense for the following plan:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Medicare Premium Payment (MPP) Program	<u>\$ 644,996</u>	<u>\$ (56,455)</u>

The detail of the plan are as follows:

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Medicare Premium Payment 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>.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### **Net OPEB Liability and OPEB Expense**

At June 30, 2019, the District reported a liability of \$644,996 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was .01685 percent and 0.1667 percent, resulting in a net increase in proportionate share of 0.0018 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(56,455).

### **Actuarial Methods and Assumptions**

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018 using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2018 is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the net OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the District Rate*

The following presents the District's proportionate share of the net OPEB 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 high than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 713,398
Current discount rate (3.87%)	644,996
1% increase (4.87%)	583,234

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare cost trend rates, as well as what the net pension liability would be if it were calculated using Medicare cost trend rates that is one percent lower or high than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 588,171
Current discount rate (3.7% Part A and 4.1% Part B)	644,996
1% increase (4.7% Part A and 5.1% Part B)	706,110

### **NOTE 10 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$43,555,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units
<b>Nonspendable</b>				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	-	-	-	-
Prepaid expenditures	249,391	28,740	-	-
Total Nonspendable	<u>274,391</u>	<u>28,740</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>				
Legally restricted programs	3,035,116	166,450	-	-
Capital projects	-	-	5,947,461	44,636,524
Debt services	-	-	-	-
Total Restricted	<u>3,035,116</u>	<u>166,450</u>	<u>5,947,461</u>	<u>44,636,524</u>
<b>Committed</b>				
Adult education program	-	-	-	-
<b>Assigned</b>				
	-	3,417,043	-	-
<b>Unassigned</b>				
	12,074,427	-	-	-
Total	<u>\$ 15,383,934</u>	<u>\$ 3,612,233</u>	<u>\$ 5,947,461</u>	<u>\$ 44,636,524</u>

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Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
\$ -	\$ 2,890	\$ 27,890
-	31,396	31,396
-	1,195	279,326
-	35,481	338,612
-	1,704,992	4,906,558
-	1,190,874	51,774,859
12,508,974	1,422	12,510,396
<u>12,508,974</u>	<u>2,897,288</u>	<u>69,191,813</u>
-	3,028	3,028
-	-	3,417,043
		12,074,427
<u>\$ 12,508,974</u>	<u>\$ 2,935,797</u>	<u>\$ 85,024,923</u>

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **NOTE 12 - 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, 2019, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

#### **Workers' Compensation**

For fiscal year 2019, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

#### **Employee Medical Benefits**

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

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 13 - 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).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 86,283,852	\$ 27,678,925	\$ 6,994,745	\$ 11,130,763
CalPERS	39,391,952	11,249,808	-	8,153,807
Total	<u>\$ 125,675,804</u>	<u>\$ 38,928,733</u>	<u>\$ 6,994,745</u>	<u>\$ 19,284,570</u>

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

**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, 2019, are presented above and the District's total contributions were \$8,709,943.

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

At June 30, 2019, 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	\$ 86,283,852
State's proportionate share of the net pension liability associated with the District	49,401,541
Total	<u>\$ 135,685,393</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0939 percent and 0.0921 percent, resulting in a net increase in the proportionate share of 0.0018 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$11,130,763. In addition, the District recognized pension expense and revenue of \$5,803,567 for support provided by the State. At June 30, 2019, 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	\$ 8,709,943	\$ -
Net change in proportionate share of net pension liability	5,296,990	2,418,951
Difference between projected and actual earnings on pension plan investments	-	3,322,473
Difference between expected and actual experiences in the measurement of the total pension liability	267,563	1,253,321
Change in assumptions	13,404,429	-
Total	<u>\$ 27,678,925</u>	<u>\$ 6,994,745</u>

The deferred outflows 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) Amortization
2020	\$ 721,403
2021	(523,468)
2022	(2,787,426)
2023	(732,982)
Total	<u>\$ (3,322,473)</u>

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 3,150,476
2021	3,150,476
2022	3,150,475
2023	3,216,303
2024	2,439,791
Thereafter	189,189
Total	<u>\$ 15,296,710</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 126,395,747
Current discount rate (7.10%)	86,283,852
1% increase (8.10%)	53,027,200

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) 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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. This report and CalPERS audited financial information are publicly 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### 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, 2019, are presented above and the total District contributions were \$3,715,225.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$39,391,952. The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1477 percent and 0.1467 percent, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$8,153,807. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 3,715,225
Net change in proportionate share of net pension liability	695,976
Difference between projected and actual earnings on pension plan investments	323,103
Difference between expected and actual experiences in the measurement of the total pension liability	2,582,392
Changes of assumptions	3,933,112
Total	<u>\$ 11,249,808</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The deferred outflows 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,175,195
2021	281,038
2022	(900,621)
2023	(232,509)
Total	<u>\$ 323,103</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 3,371,722
2021	2,937,687
2022	902,071
Total	<u>\$ 7,211,480</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 57,352,798
Current discount rate (7.15%)	39,391,952
1% increase (8.15%)	24,490,859

**On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS and CalPERS in the amount of \$7,876,034 and \$1,335,563 respectively (9.828 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 included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund-Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 14 - 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, 2019.

#### Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

#### Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	Remaining Construction Commitment	Expected Date of Completion
California Military Institute Gym Addition	\$ 16,635,572	March 2021
High School #4 (Liberty High School)	149,516,344	August 2021
Paloma Valley High School Classroom Addition / Stadium Improvement	3,102,952	December 2019
Perris High School Completion Phase 3	70,051,278	July 2022
	<u>\$ 239,306,146</u>	

### NOTE 15 - 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, 2019, the District made payments of \$1,715,487, \$9,872,148, and \$969,812 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.



**REQUIRED SUPPLEMENTARY INFORMATION**

**PERRIS UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$105,369,529	\$ 104,731,418	\$ 104,838,388	\$ 106,970
Federal sources	6,797,413	7,967,855	8,233,959	266,104
Other State sources	10,314,079	9,885,912	14,777,297	4,891,385
Other local sources	5,264,063	6,033,211	6,394,500	361,289
<b>Total Revenues</b> <sup>1</sup>	<u>127,745,084</u>	<u>128,618,396</u>	<u>134,244,144</u>	<u>5,625,748</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	49,528,257	51,325,279	51,564,952	(239,673)
Classified salaries	18,807,667	19,531,193	19,211,751	319,442
Employee benefits	28,764,649	28,989,109	33,353,219	(4,364,110)
Books and supplies	6,911,621	7,078,871	6,442,749	636,122
Services and operating expenditures	17,980,692	18,219,588	17,481,739	737,849
Other outgo	551,269	3,458	111,119	(107,661)
Capital outlay	4,932,725	3,237,224	2,992,485	244,739
Debt service				
Principal	-	-	169,896	(169,896)
Interest	-	-	13,063	(13,063)
<b>Total Expenditures</b> <sup>1</sup>	<u>127,476,880</u>	<u>128,384,722</u>	<u>131,340,973</u>	<u>(2,956,251)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>268,204</u>	<u>233,674</u>	<u>2,903,171</u>	<u>2,669,497</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	163,532	163,532
Transfers out	-	(42,582)	(42,563)	19
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>(42,582)</u>	<u>120,969</u>	<u>163,551</u>
<b>NET CHANGE IN FUND BALANCE</b>	268,204	191,092	3,024,140	2,833,048
<b>Fund Balance - Beginning</b>	12,359,794	12,359,794	12,359,794	-
<b>Fund Balance - Ending</b>	<u>\$ 12,627,998</u>	<u>\$ 12,550,886</u>	<u>\$ 15,383,934</u>	<u>\$ 2,833,048</u>

<sup>1</sup> On behalf payments of \$4,518,798 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
OPEB LIABILITY – MPP PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019**

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Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1685%</u>	<u>0.1667%</u>
District's proportionate share of the net OPEB liability	<u>\$ 644,996</u>	<u>\$ 701,451</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0939%</u>	<u>0.0921%</u>
District's proportionate share of the net pension liability	<u>\$ 86,283,852</u>	<u>\$ 85,169,359</u>
State's proportionate share of the net pension liability associated with the District	<u>49,401,541</u>	<u>50,385,473</u>
Total	<u><u>\$ 135,685,393</u></u>	<u><u>\$ 135,554,832</u></u>
District's covered - employee payroll	<u>\$ 51,410,256</u>	<u>\$ 49,391,614</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>167.83%</u>	<u>172.44%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1477%</u>	<u>0.1467%</u>
District's proportionate share of the net pension liability	<u>\$ 39,391,952</u>	<u>\$ 35,010,378</u>
District's covered - employee payroll	<u>\$ 19,509,826</u>	<u>\$ 18,688,179</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>201.91%</u>	<u>187.34%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0965%</u>	<u>0.0876%</u>	<u>0.0866%</u>
<u>\$ 78,071,403</u>	<u>\$ 59,003,719</u>	<u>\$50,593,383</u>
<u>44,444,657</u>	<u>31,206,463</u>	<u>30,550,469</u>
<u>\$ 122,516,060</u>	<u>\$ 90,210,182</u>	<u>\$81,143,852</u>
<u>\$ 47,760,848</u>	<u>\$ 41,835,563</u>	<u>\$38,561,927</u>
<u>163.46%</u>	<u>141.04%</u>	<u>131.20%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1437%</u>	<u>0.1352%</u>	<u>0.1215%</u>
<u>\$ 28,372,895</u>	<u>\$ 19,933,763</u>	<u>\$ 13,793,298</u>
<u>\$ 17,430,785</u>	<u>\$ 16,126,703</u>	<u>\$ 12,754,553</u>
<u>162.77%</u>	<u>123.61%</u>	<u>85.53%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

See accompanying note to required supplementary information.

# PERRIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

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	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 8,709,943	\$ 7,418,500
Contributions in relation to the contractually required contribution	<u>(8,709,943)</u>	<u>(7,418,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 53,500,878</u>	<u>\$ 51,410,256</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 3,715,225	\$ 3,029,876
Contributions in relation to the contractually required contribution	<u>(3,715,225)</u>	<u>(3,029,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 20,569,289</u>	<u>\$ 19,509,826</u>
Contributions as a percentage of covered - employee payroll	<u>18.06%</u>	<u>15.53%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 6,213,465	\$ 5,124,739	\$ 3,714,998
<u>(6,213,465)</u>	<u>(5,124,739)</u>	<u>(3,714,998)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 49,391,614	\$ 47,760,848	\$ 41,835,563
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 2,595,788	\$ 2,065,548	\$ 1,898,113
<u>(2,595,788)</u>	<u>(2,065,548)</u>	<u>(1,898,113)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,688,179	\$ 17,430,785	\$ 16,126,703
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**

*Changes in Benefits Terms* – There were no changes in the benefits terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

#### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes 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, 2019**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	\$ 273,752
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	3,643,294
Title II, Part A - Supporting Effective Instruction	84.367	14341	307,352
English Language Acquisition State Grants:			
Title III, Immigrant Student Program	84.365	15146	8,569
Title III, English Learner Student Program	84.365	14346	332,127
Subtotal English Language Acquisition State Grants			<u>340,696</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	583,231
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	27,721
Passed through Riverside County Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,727,827
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	597,574
Subtotal Special Education (IDEA) Cluster			<u>2,325,401</u>
Total U.S. Department of Education			<u>7,501,447</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	2,711,634
Especially Needy Breakfast	10.553	13526	753,264
Summer Food Service Program	10.559	13004	46,127
Food Distribution	10.555	13396	471,190
Subtotal Child Nutrition Cluster			<u>3,982,215</u>
Child and Adult Care Food Program	10.558	13393	43,914
Total U.S. Department of Agriculture			<u>\$ 4,026,129</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, 2019**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	\$ 244,236
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	73,584
Passed through Riverside County Office of Education (RCOE):			
Medi-Cal Administrative Activities Program	93.778	10060	150,572
Subtotal Medi-Cal Assistance Program:			<u>224,156</u>
Total U.S. Department of Health and Human Services			<u>224,156</u>
Total Federal Programs			<u>\$ 11,995,968</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

# PERRIS UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

The Perris Union High School District was incorporated on August 23, 1897, and consists of an area comprising approximately 179 square miles. The District operates one middle school, three high schools, a continuation school, 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>
Edward D. Garcia, Jr.	President	2020
Anthony T. Stafford, Sr.	Vice President	2020
Dr. Randall Freeman	Clerk	2022
Dr. Jose Luis Araux	Member	2022
David G. Nelissen	Member	2020

### ADMINISTRATION

Grant Bennett	Superintendent
Candace Reines	Deputy Superintendent of Business Services
Kirk Skorpanich	Assistant Superintendent of Human Resources
Dr. Charles Newman	Assistant Superintendent of Educational Services
Joseph Williams	Executive Director of Technology
Alisha Fogerty	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, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	1,115.02	1,105.36
Ninth through twelfth	8,015.33	7,872.22
Total Regular ADA	<u>9,130.35</u>	<u>8,977.58</u>
Extended Year Special Education		
Seventh and eighth	0.11	0.11
Ninth through twelfth	3.93	3.93
Total Extended Year Special Education	<u>4.04</u>	<u>4.04</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>24.05</u>	<u>24.31</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	2.32	2.32
Total ADA	<u>9,160.76</u>	<u>8,908.25</u>

**California Military Institute**

Regular ADA		
Fifth through sixth	163.44	161.88
Seventh and eighth	330.69	330.53
Ninth through twelfth	501.40	497.80
Total Regular ADA	<u>995.53</u>	<u>990.21</u>
Classroom based ADA		
Fourth through sixth	163.44	161.88
Seventh and eighth	330.69	330.53
Ninth through twelfth	501.40	497.80
Total Classroom Based ADA	<u>995.53</u>	<u>990.21</u>

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grade Level</u>	1986-87 Minutes <u>Requirement</u>	2018-19 Actual <u>Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000				
Grade 7		59,020	180	N/A	Complied
Grade 8		59,020	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,392	180	N/A	Complied
Grade 10		65,392	180	N/A	Complied
Grade 11		65,392	180	N/A	Complied
Grade 12		65,392	180	N/A	Complied

**California Military Institute**

<u>Grade Level</u>	1986-87 Minutes <u>Requirement</u>	2018-19 Actual <u>Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 5 - 6	54,000				
Grade 5		60,604	180	N/A	Complied
Grade 6		60,604	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,604	180	N/A	Complied
Grade 8		60,604	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,520	180	N/A	Complied
Grade 10		65,520	180	N/A	Complied
Grade 11		65,520	180	N/A	Complied
Grade 12		65,520	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, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
<b>GENERAL FUND</b>				
Revenues	\$ 129,149,751	\$ 129,725,346	\$ 120,060,192	\$ 119,830,387
Other sources	-	163,532	-	-
Total Revenues and Other Sources	<u>129,149,751</u>	<u>129,888,878</u>	<u>120,060,192</u>	<u>119,830,387</u>
Expenditures	130,662,085	126,822,175	122,141,371	117,364,784
Other uses and transfers out	40,745	42,563	38,541	-
Total Expenditures and Other Sources	<u>130,702,830</u>	<u>126,864,738</u>	<u>122,179,912</u>	<u>117,364,784</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (1,553,079)</u>	<u>\$ 3,024,140</u>	<u>\$ (2,119,720)</u>	<u>\$ 2,465,603</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 13,830,855</u>	<u>\$ 15,383,934</u>	<u>\$ 12,359,794</u>	<u>\$ 14,479,514</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 6,426,367</u>	<u>\$ 12,074,427</u>	<u>\$ 5,467,426</u>	<u>\$ 3,520,944</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>4</sup></b>	<u>4.92%</u>	<u>9.52%</u>	<u>4.47%</u>	<u>3.00%</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>N/A</u>	<u>\$ 171,698,257</u>	<u>\$ 140,810,256</u>	<u>\$ 144,703,927</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2<sup>3</sup></b>	<u>9,224</u>	<u>9,161</u>	<u>9,115</u>	<u>9,069</u>

The General Fund balance has increased by \$904,420 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$1,553,079 (10.1 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$26,994,330 over the past two years.

Average daily attendance has increased by 92 over the past two years. Additional growth of 63 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> Excludes Charter School ADA

<sup>4</sup> On behalf payments of \$4,518,798 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Military Institute (Charter School No. 0529)	Yes

See accompanying note to supplementary information.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 46,947	\$ 1,081,049	\$ 1,182,809
Receivables	99	581,917	8,065
Due from other funds	42,620	-	-
Prepaid expenses	-	1,195	-
Stores inventories	-	31,396	-
<b>Total Assets</b>	<b>\$ 89,666</b>	<b>\$ 1,695,557</b>	<b>\$ 1,190,874</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,068	\$ 21,527	\$ -
Due to other funds	11	1,871	-
Unearned revenue	-	17,245	-
<b>Total Liabilities</b>	<b>1,079</b>	<b>40,643</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	-	35,481	-
Restricted	85,559	1,619,433	1,190,874
Committed	3,028	-	-
<b>Total Fund Balances</b>	<b>88,587</b>	<b>1,654,914</b>	<b>1,190,874</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 89,666</b>	<b>\$ 1,695,557</b>	<b>\$ 1,190,874</b>

See accompanying note to supplementary information.

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<b>QZAB Fund</b>	<b>Debt Service Fund</b>	<b>Debt Service Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 1,415	\$ -	\$ 2,312,220
-	7	-	590,088
-	-	-	42,620
-	-	-	1,195
-	-	-	31,396
<u>\$ -</u>	<u>\$ 1,422</u>	<u>\$ -</u>	<u>\$ 2,977,519</u>

\$ -	\$ -	\$ -	\$ 22,595
-	-	-	1,882
-	-	-	17,245
-	-	-	41,722
-	-	-	35,481
-	1,422	-	2,897,288
-	-	-	3,028
-	1,422	-	2,935,797
<u>\$ -</u>	<u>\$ 1,422</u>	<u>\$ -</u>	<u>\$ 2,977,519</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, 2019**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 4,026,127	-
Other State sources	208,503	272,161	-
Other local sources	1,040	623,241	33,478
<b>Total Revenues</b>	<u>209,543</u>	<u>4,921,529</u>	<u>33,478</u>
<b>EXPENDITURES</b>			
Current			
Instruction	132,317	-	-
Instruction-related activities:			
Supervision of instruction	1,562	-	-
School site administration	123,040	-	-
Pupil services:			
Food services	-	4,270,309	-
Administration:			
All other general administration	10,322	205,548	-
Plant services	9,746	285	-
Other outgo	-	-	-
Facility acquisition and construction	-	-	553,313
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>276,987</u>	<u>4,476,142</u>	<u>553,313</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(67,444)</u>	<u>445,387</u>	<u>(519,835)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	42,563	-	-
Other sources	-	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>42,563</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(24,881)</u>	<u>445,387</u>	<u>(519,835)</u>
<b>Fund Balances - Beginning</b>	<u>113,468</u>	<u>1,209,527</u>	<u>1,710,709</u>
<b>Fund Balances - Ending</b>	<u>\$ 88,587</u>	<u>\$ 1,654,914</u>	<u>\$ 1,190,874</u>

See accompanying note to supplementary information.

<b>QZAB Fund</b>	<b>Debt Service Fund</b>	<b>Debt Service Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 4,026,127
-	-	-	480,664
110,444	2,316	11,276	781,795
<u>110,444</u>	<u>2,316</u>	<u>11,276</u>	<u>5,288,586</u>
-	-	-	132,317
-	-	-	1,562
-	-	-	123,040
-	-	-	4,270,309
-	-	-	215,870
-	-	-	10,031
52,785	-	-	52,785
-	-	-	553,313
5,000,000	-	6,075,000	11,075,000
-	-	286,335	286,335
<u>5,052,785</u>	<u>-</u>	<u>6,361,335</u>	<u>16,720,562</u>
<u>(4,942,341)</u>	<u>2,316</u>	<u>(6,350,059)</u>	<u>(11,431,976)</u>
-	609,094	611,094	1,262,751
-	-	5,109,420	5,109,420
(163,532)	(611,094)	-	(774,626)
<u>(163,532)</u>	<u>(2,000)</u>	<u>5,720,514</u>	<u>5,597,545</u>
<u>(5,105,873)</u>	<u>316</u>	<u>(629,545)</u>	<u>(5,834,431)</u>
<u>5,105,873</u>	<u>1,106</u>	<u>629,545</u>	<u>8,770,228</u>
<u>\$ -</u>	<u>\$ 1,422</u>	<u>\$ -</u>	<u>\$ 2,935,797</u>

# PERRIS UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. 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:		\$ 12,391,706
Medi-Cal Billing Option	93.778	(19,426)
Medi-Cal Administrative Activities Program	97.036	(376,312)
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,995,968</u>

#### Local Education Agency Organization Structure

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

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

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

# **PERRIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District/County Office of Education has met 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 and *Education Code* Section 47612.5 for Charter Schools.

### **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**



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

Governing Board  
Perris Union High School District  
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Perris Union High School District's basic financial statements, and have issued our report thereon dated October 31, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 31 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Perris Union High School District  
Perris, California

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

We have audited Perris Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's (the District) major Federal programs for the year ended June 30, 2019. Perris Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Perris Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Perris Union High School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

### **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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 31, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Perris Union High School District  
Perris, California

### **Report on State Compliance**

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Perris Union High School District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Perris Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio 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	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer education services to K-6 students due to the District being a high school district; therefore, we did not perform procedures related to Kindergarten Attendance or K-3 Grade Span Adjustment.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; 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 a Middle or Early College High School Program; therefore, we did not perform any procedures related to Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice 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 an Independent Study – Course Based Program; therefore, we did not perform any related procedures to the Independent Study – Course Based Program.

The District does not offer Non Classroom-Based Instruction for Charter Schools; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

The District did not receive any funding for the Charter School Facility Grant Program; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

A handwritten signature in cursive script that reads "Ede Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Rancho Cucamonga, California  
October 31, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants, Low Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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, 2019**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**PERRIS UNION HIGH SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.