

**PERRIS ELEMENTARY
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015**

PERRIS ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2015

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Financial Section

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A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Governing Board
Perris Elementary 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 Perris Elementary School District, as of and for the fiscal year ended June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Perris Elementary School District, as of June 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68". The adoption of these standards required retrospective application resulting in a \$44,028,300 reduction of previously reported net position at July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 46 and 47, schedule of funding progress on page 48, schedule of proportionate share of the net pension liability on page 49, and schedule of contributions on page 50 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 52 to 56 and the schedule of expenditures of federal awards on page 57 are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 58 and 60 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 2, 2015

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

This discussion and analysis of Perris Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

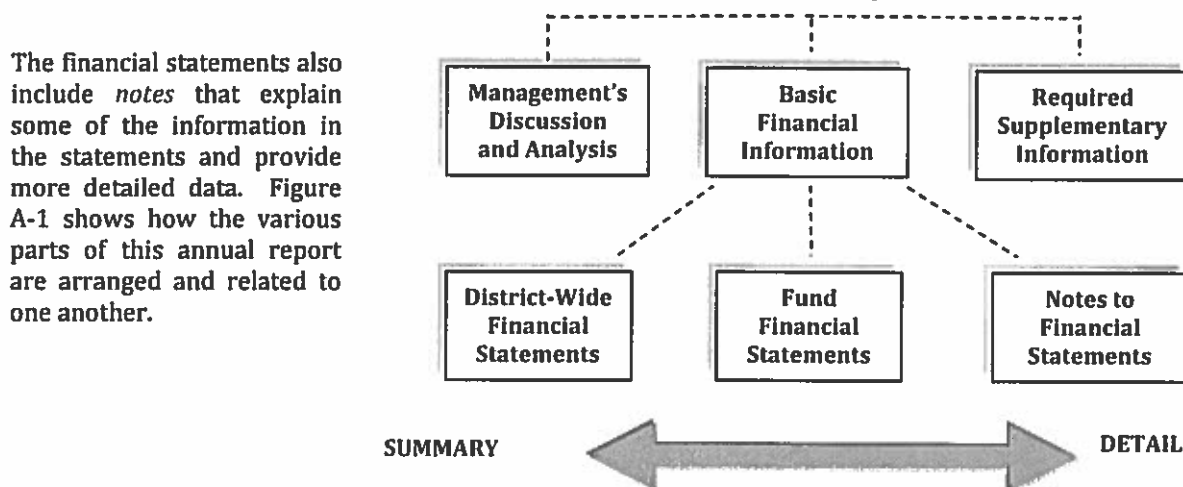
- The District's overall financial status improved from last year, as the net position increased by 6.5% to \$32.6 million.
- Total governmental revenues were \$65.3 million, about \$2.0 million more than expenses.
- The District's combined fund balances increased by \$12.4 million.
- The total cost of basic programs was \$63.3 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was only \$46.5 million.
- Average daily attendance (grades K-6) decreased by 41, or 0.9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of Perris Elementary School District's Annual Financial Report



PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two types of funds:

- *Governmental funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2015, than it was the year before -- increasing 6.5% to \$32.6 million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2015	2014*	
Current assets	\$ 46,232,248	\$ 33,433,929	\$ 12,798,319
Capital assets	69,350,320	67,719,156	1,631,164
Total assets	115,582,568	101,153,085	14,429,483
Total deferred outflows	4,294,483	3,430,943	863,540
Current liabilities	6,069,657	5,507,486	562,171
Long-term liabilities	71,256,828	68,444,177	2,812,651
Total liabilities	77,326,485	73,951,663	3,374,822
Total deferred outflows	9,929,047	-	9,929,047
Net position			
Net investment in capital assets	69,350,320	53,191,076	16,159,244
Restricted	12,384,003	12,868,328	(484,325)
Unrestricted	(49,112,804)	(35,427,039)	(13,685,765)
Total net position	\$ 32,621,519	\$ 30,632,365	\$ 1,989,154

* As restated

Changes in net position, governmental activities. The District's total revenues increased 12.9% to \$65.3 million (See Table A-2). The increase is due primarily to increases in state funding sources.

The total cost of all programs and services increased 5.6% to \$63.3 million. The District's expenses are predominantly related to educating and caring for students, 78.1%. The purely administrative activities of the District accounted for just 6.0% of total costs. A significant contributor to the increase in costs was an increase in instruction related costs.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2015	2014	
Total revenues	\$ 65,268,230	\$ 57,813,182	\$ 7,455,048
Total expenses	63,279,076	59,897,812	3,381,264
Increase (decrease) in net position	\$ 1,989,154	\$ (2,084,630)	\$ 4,073,784

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$40.6 million, which is above last year's ending fund balance of \$28.2 million. The primary cause of the increased fund balance is due primarily to proceeds from general obligation bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – decreased by \$0.5 million primarily due to changes in federal and state funding.
- Salaries and benefits costs – decreased \$1.3 million due to compensation changes.

While the District's final budget for the General Fund anticipated that expenditures would fall short of revenues by about \$2.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.1 million. Actual revenues were \$2.7 million more than anticipated, and expenditures were \$2.6 million more than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015, that will be carried over into the 2015-16 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$3.5 million in new capital assets, related to the construction of a new school site. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$1.8 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2015	2014	
Land	\$ 7.9	\$ 7.9	\$ -
Improvement of sites	2.9	2.8	0.1
Buildings	53.2	54.3	(1.1)
Equipment	2.5	2.3	0.2
Construction in progress	2.9	0.4	2.5
Total	<u>\$ 69.4</u>	<u>\$ 67.7</u>	<u>\$ 1.7</u>

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$71.3 million in general obligation bonds, certificates of participation, pension liabilities, and employment benefits – an increase of \$2.9 million from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2015	2014*	
General obligation bonds	\$ 24.4	\$ 11.9	12.5
Certificates of participation	7.7	7.9	(0.2)
Early retirement incentive	-	0.4	(0.4)
Other postemployment benefits	1.7	1.4	0.3
Compensated absences	0.1	0.1	-
Net pension liability	37.4	46.7	(9.3)
Total	\$ 71.3	\$ 68.4	\$ 2.9

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

Overview

On June 16, 2015, the Governor, the Senate President pro Tempore, and the Speaker of the Assembly announced a budget agreement. The Legislature passed the budget bill and related legislation on Friday, June 19. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. With savings resulting from (1) rejection of various administration proposals, (2) an error in the administration's Medi-Cal estimates, (3) legislative changes made to the Middle-Class Scholarship Program, and (4) other legislative actions, the agreement makes modest augmentations outside of Proposition 98 above May Revision levels.

2015-16 to End With \$4.6 Billion in Estimated Total Reserves

The budget agreement assumes \$115 billion in revenues, a 3.3 percent increase over 2014-15. (This total is net of the \$1.9 billion deposit in the Proposition 2 Budget Stabilization Account [BSA].) The state's "big three" General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are estimated to increase at a slightly higher rate (4 percent). General Fund revenue growth was much higher in 2014-15, increasing at a very healthy 7.7 percent rate. General Fund spending is largely flat across 2014-15 and 2015-16, increasing at only 0.8 percent. Growth in ongoing programmatic spending, however, is masked by various one-time actions, including one-time spending in 2014-15 on debt payments and mandate backlog claims, and the end of the "triple flip" mechanism used to finance the state's prior deficit financing bonds. The budget ends 2015-16 with \$4.6 billion in estimated total reserves, including \$1.1 billion in the Special Fund for Economic Uncertainties—the state's traditional budget reserve—and \$3.5 billion in the BSA.

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98

Substantial Upward Revisions to Estimates of Proposition 98 Minimum Guarantee

State budgeting for preschool, elementary and secondary schools, and the California Community Colleges (CCC) is based primarily on Proposition 98, approved by voters in 1988. Proposition 98 established a minimum funding requirement commonly called the minimum guarantee. The estimate of the 2013-14 and 2014-15 minimum guarantees have increased \$612 million and \$5.4 billion, respectively from the June 2014 estimates. The estimate of the 2015-16 minimum guarantee is \$7.6 billion (12 percent) higher than the 2014-15 Budget Act level. These increases in the guarantee are due primarily to state revenues being higher than assumed in last year's budget package. The budget package funds at these latest estimates of the minimum guarantees.

Large Upward 2014-15 Adjustments Result in Relatively Modest Year-Over-Year Growth

Growth from the revised 2014-15 level to 2015-16 is \$2.1 billion (3 percent). This relatively modest growth is due to the large upward revision to 2014-15 noted above. In 2015-16, total Proposition 98 funding is \$68.4 billion. Of this amount, \$49.4 billion is General Fund and \$19 billion is local property tax revenue. The notable increase in local property tax revenue from 2014-15 to 2015-16 (\$2.3 billion, 14 percent) is due in large part to the end of the triple flip and the shift of associated local property tax revenue back from cities, counties, and special districts to school and community college districts. Growth in local property tax revenue is slightly greater than growth in the Proposition 98 minimum guarantee, resulting in a slight reduction in Proposition 98 General Fund from 2014-15 to 2015-16.

Per-Student Funding Increases Significantly

Under the budget package, K-12 per-student funding increases from the 2014-15 Budget Act level of \$8,931 to \$9,942 in 2015-16—an increase of \$1,011 (11 percent).

Budget Package Contains Many Spending Changes

For 2013-14, the budget accounts for higher Local Control Funding Formula (LCFF) costs and uses the remaining funding increase for paying down the K-14 mandate backlog. In addition to these changes, the budget package includes a \$256 million settle-up payment related to meeting the Proposition 98 minimum guarantee for 2006-07 and 2009-10 and \$207 million in unspent prior-year Proposition 98 funds that have been repurposed.

Package Notably Reduces Outstanding K-14 Obligations

The budget package includes the following K-14 actions, all of which reduce the state's outstanding K-14 obligations.

- ***Pays Down Mandate Backlog.*** The budget package includes \$3.8 billion to pay down the K-14 mandate backlog (\$3.2 billion is for the K-12 backlog and \$632 million for the CCC backlog). After accounting for these payments, the LAO estimates the outstanding K-14 mandate backlog to be \$1.5 billion (\$1.2 billion for schools and about \$300 million for community colleges).
- ***Retires All K-14 Payment Deferrals.*** As required by trailer legislation enacted last year, the budget package provides \$992 million to eliminate all remaining K-14 payment deferrals. The budget year will be the first fiscal year since 2000-01 that the state is set to make all K-14 payments on time.
- ***Pays Off Emergency Repair Program (ERP) Obligation.*** The budget includes \$273 million for the final ERP payment. Statute requires the state to provide a total of \$800 million to school districts for emergency facility repairs, and the state has provided \$527 million to date. (Of the \$273 million, \$145 million comes from a settle-up payment and \$128 million comes from unspent prior-year Proposition 98 funds.)

PERRIS ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education

Large Increase for Local Control Funding Formula (LCFF)

The largest single augmentation in the state budget is \$6.0 billion for implementing the LCFF for school districts and charter schools—bringing total LCFF funding to \$52 billion. This reflects a 13 percent year-over-year increase in LCFF funding. The administration estimates this funding will close 52 percent of the remaining gap to LCFF target rates. The budget funds 90 percent of the estimated statewide full LCFF implementation cost. School districts and charter schools may use LCFF monies for any educational purpose, including implementation of their Local Control and Accountability Plans.

New Secondary School Career Technical Education (CTE) Competitive Grant Program

The budget package includes \$900 million in one-time funding for a three-year competitive grant program to promote high-quality CTE. Of this amount, \$400 million is provided in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18. School districts, county offices of education (COEs), charter schools, and Regional Occupational Centers and Programs operated by joint powers agencies (JPAs) may apply for grants, individually or in consortia. The program provides separate pools of funding for large, medium-sized, and small applicants, based on applicants' average daily attendance (ADA) in grades 7-12. Specifically, 88 percent of the funding is reserved for applicants with ADA greater than 550, 8 percent is reserved for applicants with ADA between 140 and 550, and 4 percent is reserved for applicants with less than 140 ADA. The Superintendent of Public Instruction (SPI), in collaboration with the executive director of the State Board of Education (SBE), will determine the number of grants to be awarded and specific grant amounts.

Package of Special Education Actions

The budget includes \$67 million for a package of special education-related activities. Of the \$67 million, \$52 million is ongoing and \$15 million is one time. The largest ongoing augmentation in this package is for expanding services for infants, toddlers, and preschoolers with disabilities as well as requiring preschool staff training and parent education relating to identifying and meeting preschoolers' special needs. The largest one-time augmentation is for one or two COEs to develop statewide resources and training opportunities for addressing students' diverse instructional and behavioral needs.

Second Round of Internet Infrastructure Grants

The budget includes \$50 million in one-time funding for the second round of Broadband Internet Infrastructure Grants. The K-12 High Speed Network is to award grants to schools that cannot administer online tests or can only administer the tests by shutting down other essential online activities such as email. Grants may be used to purchase Internet infrastructure. The Department of Finance (DOF) must approve projects resulting in costs exceeding \$1,000 per test-taking pupil.

All of these factors were considered in preparing the Perris Elementary School District budget for the 2015-16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tina Daigneault, CBO, District Business Office at (951) 657-3118.

PERRIS ELEMENTARY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Total Governmental Activities
ASSETS	
Cash	\$ 42,335,322
Investments	634,074
Accounts receivable	3,166,192
Inventories	47,809
Prepaid expenses	48,851
Non-depreciable assets	10,770,402
Depreciable assets	83,290,477
Less accumulated depreciation	(24,710,559)
Total assets	<u>115,582,568</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	732,225
Amounts contributed after the measurement date	3,562,258
Total deferred outflows of resources	<u>4,294,483</u>
LIABILITIES	
Accounts payable	5,633,994
Unearned revenue	435,663
Long-term liabilities:	
Portion due or payable within one year	506,442
Portion due or payable after one year	70,750,386
Total liabilities	<u>77,326,485</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between projected and actual earnings on plan investments	<u>9,929,047</u>
NET POSITION	
Net investment in capital assets	69,350,320
Restricted for:	
Capital projects	7,201,416
Debt service	1,907,483
Categorical programs	3,275,104
Unrestricted	<u>(49,112,804)</u>
Total net position	<u>\$ 32,621,519</u>

PERRIS ELEMENTARY SCHOOL DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2015*

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction	\$ 35,239,008	\$ 1,021,573	\$ 6,387,822	\$ (27,829,613)
Instruction-Related Services:				
Supervision of instruction	2,636,286	69,678	1,718,031	(848,577)
Instructional library, media and technology	237,954	291	66	(237,597)
School site administration	3,225,587	76,125	89,117	(3,060,345)
Pupil Support Services:				
Home-to-school transportation	1,125,123	-	-	(1,125,123)
Food services	4,210,987	443,450	3,759,938	(7,599)
All other pupil services	3,004,062	74,682	544,157	(2,385,223)
General Administration Services:				
Data processing services	155,217	-	-	(155,217)
Other general administration	3,632,997	45,932	747,460	(2,839,605)
Plant services	5,702,287	29,089	779,137	(4,894,061)
Interest on long-term debt	1,678,280	40,197	-	(1,638,083)
Other outgo	560,842	-	924,027	363,185
Depreciation (unallocated)	1,870,446	-	-	(1,870,446)
Total Governmental Activities	\$ 63,279,076	\$ 1,801,017	\$ 14,949,755	(46,528,304)

General Revenues:

Property taxes	5,543,586
Federal and state aid not restricted to specific purpose	42,340,474
Interest and investment earnings	75,418
Interagency revenues	27,375
Miscellaneous	530,605
Total general revenues	48,517,458
Change in net position	1,989,154
Net position - July 1, 2014, as originally stated	74,660,665
Adjustment for restatement	(44,028,300)
Net position - July 1, 2014, as restated	30,632,365
Net position - June 30, 2015	\$ 32,621,519

PERRIS ELEMENTARY SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2015

	General Fund	Charter School Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 11,779,817	\$ 4,820,079	\$ 14,850,770	\$ 6,127,364	\$ 4,757,292	\$ 42,335,322
Investments	-	-	-	-	634,074	634,074
Accounts receivable	1,752,788	79,789	13,420	-	1,320,195	3,166,192
Due from other funds	1,154,421	1,040,275	8,459	747,021	216,935	3,167,111
Inventories	-	-	-	-	47,809	47,809
Prepaid expenses	-	37,294	-	-	11,557	48,851
Total Assets	<u>\$ 14,687,026</u>	<u>\$ 5,977,437</u>	<u>\$ 14,872,649</u>	<u>\$ 6,874,385</u>	<u>\$ 6,987,862</u>	<u>\$ 49,399,359</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 3,134,309	\$ 379,020	\$ 1,013,056	\$ 1,977	\$ 637,145	\$ 5,165,507
Unearned revenue	435,663	-	-	-	-	435,663
Due to other funds	1,443,831	990,211	-	-	733,069	3,167,111
Total Liabilities	<u>5,013,803</u>	<u>1,369,231</u>	<u>1,013,056</u>	<u>1,977</u>	<u>1,370,214</u>	<u>8,768,281</u>
Fund Balances						
Nonspendable	5,000	37,294	-	-	59,366	101,660
Restricted	1,434,009	108,384	13,859,593	6,872,408	4,953,716	27,228,110
Committed	-	-	-	-	587,254	587,254
Assigned	2,531,800	4,462,528	-	-	17,312	7,011,640
Unassigned	5,702,414	-	-	-	-	5,702,414
Total Fund Balances	<u>9,673,223</u>	<u>4,608,206</u>	<u>13,859,593</u>	<u>6,872,408</u>	<u>5,617,648</u>	<u>40,631,078</u>
Total Liabilities and Fund Balances	<u>\$ 14,687,026</u>	<u>\$ 5,977,437</u>	<u>\$ 14,872,649</u>	<u>\$ 6,874,385</u>	<u>\$ 6,987,862</u>	<u>\$ 49,399,359</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2015

Total fund balances - governmental funds		\$ 40,631,078
<p>Amounts reported for governmental activities in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$94,060,879, and the accumulated depreciation is (\$24,710,559).</p>		
		69,350,320
<p>In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:</p>		
		(468,487)
<p>Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded debt which has been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred charges on refunding at the end of the period was:</p>		
		732,225
<p>In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
	Net pension liability	37,342,179
	Certificates of participation payable	7,715,000
	General obligation bonds payable	24,412,261
	Compensated absences payable	47,936
	Other postemployment benefits payable	1,739,452
		(71,256,828)
<p>In governmental funds, deferred outflows and inflows of resources relating to pension are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:</p>		
	Deferred outflows	3,562,258
	Deferred inflows	(9,929,047)
Total net position - governmental activities		\$ 32,621,519

PERRIS ELEMENTARY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015

	General Fund	Charter School Fund	Building Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 38,427,423	\$ 6,498,004	\$ -	\$ -	\$ 300,000	\$ 45,225,427
Federal sources	4,994,136	312,878	-	-	3,990,456	9,297,470
Other state sources	5,264,824	371,245	-	-	1,113,580	6,749,649
Other local sources	730,012	54,880	65,762	1,477	2,556,085	3,408,216
Total Revenues	49,416,395	7,237,007	65,762	1,477	7,960,121	64,680,762
EXPENDITURES						
Current:						
Instruction	29,187,746	4,387,599	-	-	1,066,045	34,941,390
Instruction-related services:						
Supervision of instruction	2,429,117	50,661	-	-	147,160	2,626,938
Instructional library, media and technology	212,263	35,162	-	-	-	247,425
School site administration	2,712,659	427,423	-	-	90,524	3,230,606
Pupil support services:						
Home-to-school transportation	1,125,123	-	-	-	-	1,125,123
Food services	40	-	-	-	4,444,059	4,444,099
All other pupil services	2,788,343	223,909	-	-	30,984	3,043,236
General administration services:						
Data processing services	155,217	-	-	-	-	155,217
Other general administration	2,844,272	386,060	-	-	236,076	3,466,408
Plant services	4,625,158	554,392	-	21,179	731,476	5,932,205
Transfers of indirect costs	(650,264)	335,888	-	-	314,376	-
Capital Outlay	45,753	242,173	2,111,599	-	896,797	3,296,322
Intergovernmental	560,842	-	-	-	-	560,842
Debt Service:						
Issuance costs	-	-	313,324	-	-	313,324
Principal	-	-	-	-	415,000	415,000
Interest	-	-	-	-	963,815	963,815
Total Expenditures	46,336,269	6,643,267	2,424,923	21,179	9,336,312	64,761,950
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,080,126	593,740	(2,359,161)	(19,702)	(1,376,191)	(81,188)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	262,981	-	447,022	1,103,738	1,813,741
Interfund transfers out	(644,240)	(240,000)	-	(629,501)	(300,000)	(1,813,741)
Proceeds from general obligation bonds	-	-	12,340,000	-	-	12,340,000
Premium on bond issuance	-	-	-	-	153,991	153,991
Total Other Financing Sources and Uses	(644,240)	22,981	12,340,000	(182,479)	957,729	12,493,991
Net Change in Fund Balances	2,435,886	616,721	9,980,839	(202,181)	(418,462)	12,412,803
Fund Balances, July 1, 2014	7,237,337	3,991,485	3,878,754	7,074,589	6,036,110	28,218,275
Fund Balances, June 30, 2015	\$ 9,673,223	\$ 4,608,206	\$ 13,859,593	\$ 6,872,408	\$ 5,617,648	\$ 40,631,078

PERRIS ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds	\$ 12,412,803
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	3,501,610	
Depreciation expense	<u>(1,870,446)</u>	1,631,164

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 415,000

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (12,493,991)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded certificates which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year charges and the current year amortization is: (36,611)

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (282,315)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (188,138)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. An example includes special termination benefits such as retirement incentives which are financed over time. This year, expenses incurred for such obligations were: 365,180

In the governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source or use in the period that it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 21,442

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (176,653)

In the statement of activities, compensated absences 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). 1,943

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 319,330

Change in net position of governmental activities	<u>\$ 1,989,154</u>
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PERRIS ELEMENTARY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	<u>Agency Fund</u> <u>Debt Service</u> <u>Fund for</u> <u>Special Tax Bonds</u>
ASSETS	
Investments	<u>\$ 395,906</u>
Total Assets	<u>\$ 395,906</u>
LIABILITIES	
Due to bondholders	<u>\$ 395,906</u>
Total Liabilities	<u>\$ 395,906</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Perris Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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, and agencies that are not legally separate from the District. For Perris Elementary School District, this includes general operations, food service, and student related activities of the District.

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 units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Perris School District Facilities Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Perris Elementary School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects 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 CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Charter School Fund: This fund is used to account for the operations of the Innovative Horizons Charter School.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and bond anticipation notes.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Reserve Funds:

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the Certificates of Participation and of the Community Facilities Districts.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Debt Service Fund for Blended Component Units: This fund is used to account for the accumulation of resources for the repayment of certificates of participation.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary fund:

Debt Service Fund for Special Tax Bonds: This fund is used to account for the accumulation of resources for the repayment of special tax bonds.

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. 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. 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

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

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

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. 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 combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements 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 ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is to recognize contributions made to the pension plan after the measurement date of the net pension liability. The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that is reported as deferred inflows of resources. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Fund Balances (continued)

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the District's governing board. In the event of projected revenue shortfalls, it is the responsibility of the Chief Business Official to report the projections to the District's governing board on a quarterly basis and shall be recorded in the minutes.

Any budget revision that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of a 2/3 vote of the District's governing board.

The fund balance of the District's General Fund is intended to contain reserves to provide stability and flexibility in response to unexpected adversity and/or opportunities. The target is to maintain an unrestricted fund balance of not less than 5% of combined general fund expenditures and other financing uses in the assigned fund balance category for economic uncertainty.

The rationale for this level of reserves is to provide the following:

- To meet state-required reserve levels in accordance with the standards and criteria adopted by the State Board of Education (Education Code 33128)
- To provide adequate cash to meet financial obligations
- To provide available funds to meet unanticipated or emergency financial obligations
- To provide stability during periods of economic distress

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.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2014-15 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (Issued 06/12)

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

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

Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)*

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

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

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

3. Cumulative Effect of Change in Accounting Principle

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2013 by \$44,028,300, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2015, are reported at fair value and consisted of the following:

	Governmental Activities/Funds	Fiduciary Fund
Pooled Funds:		
Cash in County Treasury	\$ 41,286,799	\$ -
Deposits:		
Cash on hand and in banks	1,022,247	-
Cash in revolving fund	5,000	-
Cash awaiting deposit	21,276	-
Total Deposits	1,048,523	-
Total Cash	\$ 42,335,322	\$ -
Investments:		
US Bank - Money Market	\$ 634,074	\$ 395,906

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2015, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

As of June 30, 2015, \$734,481 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Maturities of investments held at June 30, 2015, consisted of the following:

	Fair Value	Maturity	
		Less Than One Year	One Year Through Five Years
Investment maturities:			
US Bank - Money Market	<u>\$ 1,029,980</u>	<u>\$ 1,029,980</u>	<u>\$ -</u>

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2015, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had the following investment that represents more than five percent of the District's net investments.

US Bank - Money Market	100%
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PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015*

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:					
Categorical aid programs	\$ 799,732	\$ -	\$ -	\$ 699,836	\$ 1,499,568
State Government:					
Lottery	417,661	74,707	-	-	492,368
Categorical aid programs	292,857	-	-	54,200	347,057
Local:					
Interest	10,467	4,254	13,420	7,733	35,874
Transfers from the SELPA	85,043	-	-	-	85,043
All other local resources	147,028	828	-	558,426	706,282
Totals	<u>\$ 1,752,788</u>	<u>\$ 79,789</u>	<u>\$ 13,420</u>	<u>\$ 1,320,195</u>	<u>\$ 3,166,192</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2015, consisted of the following:

	Due from other funds					
	General Fund	Charter School Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ -	\$ 1,040,275	\$ 8,459	\$ 207,022	\$ 188,075	\$ 1,443,831
Charter School Fund	721,351	-	-	240,000	28,860	990,211
Non-Major Governmental Funds	433,070	-	-	299,999	-	733,069
Totals	\$ 1,154,421	\$ 1,040,275	\$ 8,459	\$ 747,021	\$ 216,935	\$ 3,167,111

General Fund due to Charter School Fund for in-lieu property tax, special education funds and Title I funds	\$ 1,040,275
General Fund due to Child Development Fund program contribution	174,227
General Fund due to Building Fund for bond election costs	8,459
General Fund due to Special Reserve Fund for Capital Outlay Projects for redevelopment funds	207,022
Charter School Fund due to Special Reserve Fund for Capital Outlay Projects for 4th payment on loan	240,000
Charter School Fund due to General Fund for indirect costs, administrative fees and construction costs	686,884
Charter School Fund due to Capital Facilities Fund for construction costs	40,351
Child Development Fund due to General Fund for indirect costs and repayment of loan	184,889
Cafeteria Fund due to General Fund for indirect costs	227,924
Non-Major Fund due to General Fund for capital improvements and copying charges	37,183
Non-Major Fund due to Special Revenue Fund for Capital Outlay Projects for an interfund loan	299,999
All other due to and due froms	19,898
	\$ 3,167,111

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended at June 30, 2015, consisted of the following:

	Interfund Transfers In			
	Charter School Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
General Fund	\$ 262,981	\$ 207,022	\$ 174,237	\$ 644,240
Charter School Fund	-	240,000	-	240,000
Special Reserve Fund for Capital Outlay Projects	-	-	629,501	629,501
Non-Major Governmental Funds	-	-	300,000	300,000
	\$ 262,981	\$ 447,022	\$ 1,103,738	\$ 1,813,741

General Fund transfer to Charter School Fund to cover special education costs	\$ 254,925
General Fund transfer to Charter School Fund for share of Medi-Cal Funds	8,056
General Fund transfer to Child Development Fund to cover encroachment programs	143,253
General Fund transfer to Child Development Fund for Medi-Cal administrative activities	30,984
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for redevelopment projects	207,022
Special Reserve Fund for Capital Outlay Projects transfer to Debt Service Fund for Blended Component Units for payment on certificate of participation	629,501
Capital Project Fund for Blended Component Units transfer to Capital Facilities Fund for temporary loan	300,000
Charter School Fund transfer to Special Reserve Fund for Capital Outlay Projects for repayment of loan	240,000
Total	\$ 1,813,741

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 5 – FUND BALANCES

At June 30, 2015, fund balances of the District's governmental funds were classified as follows:

	General Fund	Charter School Fund	Building Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	-	-	-	-	47,809	47,809
Prepaid expenditures	-	37,294	-	-	11,557	48,851
Total Nonspendable	5,000	37,294	-	-	59,366	101,660
Restricted:						
Categorical programs	1,434,009	108,384	-	-	84,660	1,627,053
Child nutrition program	-	-	-	-	1,648,051	1,648,051
Capital projects	-	-	13,859,593	6,872,408	1,313,522	22,045,523
Debt service	-	-	-	-	1,907,483	1,907,483
Total Restricted	1,434,009	108,384	13,859,593	6,872,408	4,953,716	27,228,110
Committed:						
Deferred maintenance program	-	-	-	-	587,254	587,254
Total Committed	-	-	-	-	587,254	587,254
Assigned:						
Medi-Cal Administrative Activities	2,511	-	-	-	-	2,511
Railway Gardens Funds	1,020	-	-	-	-	1,020
Site Fundraiser/Donations	70,046	-	-	-	-	70,046
Parks/Perris News Room	24,285	-	-	-	-	24,285
Instructional materials	232,109	-	-	-	-	232,109
New school start-up costs	500,000	-	-	-	-	500,000
Supplemental/Concentration	1,701,829	-	-	-	-	1,701,829
Charter school program	-	4,462,528	-	-	-	4,462,528
Child development program	-	-	-	-	17,312	17,312
Total Assigned	2,531,800	4,462,528	-	-	17,312	7,011,640
Unassigned:						
Reserve for economic uncertainties	2,385,596	-	-	-	-	2,385,596
Remaining unassigned balances	3,316,818	-	-	-	-	3,316,818
Total Unassigned	5,702,414	-	-	-	-	5,702,414
Total	\$ 9,673,223	\$ 4,608,206	\$ 13,859,593	\$ 6,872,408	\$ 5,617,648	\$ 40,631,078

PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 7,879,186	\$ 14,965	\$ -	\$ 7,894,151
Construction in progress	406,399	2,536,933	67,081	2,876,251
Total capital assets not being depreciated	8,285,585	2,551,898	67,081	10,770,402
Capital assets being depreciated:				
Improvement of sites	4,377,864	192,699	-	4,570,563
Buildings	73,831,437	409,848	-	74,241,285
Equipment	4,064,383	414,246	-	4,478,629
Total capital assets being depreciated	82,273,684	1,016,793	-	83,290,477
Accumulated depreciation for:				
Improvement of sites	(1,527,970)	(128,682)	-	(1,656,652)
Buildings	(19,551,036)	(1,513,900)	-	(21,064,936)
Equipment	(1,761,107)	(227,864)	-	(1,988,971)
Total accumulated depreciation	(22,840,113)	(1,870,446)	-	(24,710,559)
Total capital assets being depreciated, net	59,433,571	(853,653)	-	58,579,918
Governmental activity capital assets, net	\$ 67,719,156	\$ 1,698,245	\$ 67,081	\$ 69,350,320

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014*	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General obligation bonds:					
Principal	\$ 11,426,242	\$ 12,340,000	\$ 170,000	\$ 23,596,242	\$ 235,000
Bond issuance premium	304,585	153,991	21,442	437,134	21,442
Accreted interest	190,747	188,138	-	378,885	-
Total general obligation bonds	11,921,574	12,682,129	191,442	24,412,261	256,442
Certificates of participation	7,960,000	-	245,000	7,715,000	250,000
Early retirement incentive	365,180	-	365,180	-	-
Compensated absences	49,879	-	1,943	47,936	-
Net pension liability	46,690,407	-	9,348,228	37,342,179	-
Other postemployment benefits	1,457,137	282,315	-	1,739,452	-
Totals	\$ 68,444,177	\$ 12,964,444	\$ 10,151,793	\$ 71,256,828	\$ 506,442

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Special Reserve Fund for Capital Outlay Projects. OPEB costs are paid by the General Fund. Accumulated vacation and retirement incentive payments will be paid for by the fund for which the employee worked.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

On November 7, 2006, a special election was held at which more than fifty-five percent of the voters in the District approved general obligation bonds, which authorized the issuance and sale of \$25 million in general obligation bonds. The bonds are general obligations of the District, and the county is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. The bonds are being issued to finance the acquisition, construction, and modernization of District facilities, as well as to pay the costs of issuing the bonds.

On June 3, 2014, a special election was held at which more than fifty-five percent of the voters in the District approved general obligation bonds, which authorized the issuance and sale of \$40 million in general obligation bonds. The bonds are general obligations of the District, and the county is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. The bonds are being issued to finance the acquisition, construction, and modernization of District facilities, as well as to pay the costs of issuing the bonds.

Series 2007 Bonds

On August 22, 2007, the District issued Series 2007, in the amount of \$7,999,571. The issue consisted of: a) Current Interest Bonds of \$1,255,000 with a stated interest rate of 4.0% and fully maturing on August 1, 2015, b) Term Bonds of \$6,595,000 with stated interest rates ranging from 4.04% to 5.25% and fully maturing on August 1, 2030, and c) Capital Appreciation Bonds of \$149,571 with stated interest rates ranging from 4.9% to 10.0% and maturing on August 1, 2032. At June 30, 2015, the outstanding balance on the Series 2007 bonds was \$6,929,571.

Series B Bonds

On September 11, 2013, the District issued Series B, in the amount of \$4,336,671. The issue consisted of: a) Current Interest Bonds of \$1,390,000 with stated interest rates ranging between 3.25% to 5.0% and fully maturing on August 1, 2027, b) Term Bonds of \$575,000 with a stated interest rate of 5.0% and maturing on August 1, 2029, and c) Capital Appreciation Bonds of \$2,371,671 with rates ranging between 6.0% and 6.9% and maturing on August 1, 2040. At June 30, 2015, the outstanding balance on the Series B bonds was \$4,326,671.

Series 2014A Bonds

On September 10, 2014, the District issued Series 2014A, in the amount of \$12,340,000. The issue consisted of: a) Serial bonds of \$9,945,000 with a stated interest rate ranging from 2.5% to 6.0% and fully maturing on August 1, 2042 and b) Term Bonds of \$2,395,000 with a stated interest rate of 3.75% and fully maturing on August 1, 2044. At June 30, 2015, the outstanding balance on the Series 2014A bonds was \$12,340,000.

PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015*

NOTE 7 - GENERAL LONG-TERM DEBT (continued)**A. General Obligation Bonds (continued)**

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2015 were as follows:

Fiscal Year	Principal	Interest	Total
2015-16	\$ 235,000	\$ 841,184	\$ 1,076,184
2016-17	395,000	853,062	1,248,062
2017-18	465,000	831,000	1,296,000
2018-19	340,000	811,712	1,151,712
2019-20	405,000	795,472	1,200,472
2020-25	2,985,000	3,639,665	6,624,665
2025-30	5,025,000	2,762,351	7,787,351
2030-35	3,643,655	5,357,448	9,001,103
2035-40	4,553,124	6,150,182	10,703,306
2040-45	5,549,463	1,720,287	7,269,750
Total	<u>\$ 23,596,242</u>	<u>\$ 23,762,363</u>	<u>\$ 47,358,605</u>

B. Certificates of Participation

On November 1, 2011, the District issued \$8,395,000 of Refunding Certificates. The Certificates consist of lease payments bearing rates between 1.25%-5.50% with annual maturities from September 2012 through September 2034. The net proceeds of \$8,395,000 were used to refund all of the District's outstanding Certificates of Participation, originally issued in 2004.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded certificates are considered to be defeased, and the related liability has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2015, deferred charges on refunding of \$732,225 remain to be amortized.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2015-16	\$ 250,000	\$ 378,000	\$ 628,000
2016-17	255,000	370,420	625,420
2017-18	265,000	361,769	626,769
2018-19	275,000	352,110	627,110
2019-20	285,000	341,251	626,251
2020-25	1,620,000	1,497,660	3,117,660
2025-30	2,070,000	1,033,713	3,103,713
2030-35	2,695,000	386,238	3,081,238
Total	<u>\$ 7,715,000</u>	<u>\$ 4,721,161</u>	<u>\$ 12,436,161</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

C. 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 \$1,600,000 as of June 30, 2015, does not represent debt of the District and, as such, does not appear in the financial statements.

D. Early Retirement Incentive

In 2013-14, certificated and classified employees were offered a retirement incentive of 40% of the employee's contracted base salary. Payments will be made in two installments; one by July 2014 and one by July 2015. In total, 28 employees elected to take the incentive. Expenditures are recognized on a pay-as-you-go basis, as employees are paid. During the year, expenditures of \$365,180 were incurred for retiree incentives. The liability was fully repaid at June 30, 2015.

NOTE 8 - JOINT VENTURES

The Perris Elementary School District participates in joint ventures under joint powers agreements with the Riverside Schools Insurance Authority (RSIA), the Riverside County Employer/Employee Partnership (REEP) for benefits, and the Riverside Schools Risk Management Authority (RSRMA). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The RSIA provides property and liability insurance coverage for its members, REEP provides health and welfare benefits coverage for its members, and RSRMA provides its members workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed financial information is as follows:

	RSIA Audited June 30, 2014	RSRMA Audited June 30, 2014	REEP Audited June 30, 2014
Total Assets	\$ 5,633,884	\$ 10,401,720	\$ 30,171,457
Total Liabilities	5,064,324	2,623,839	10,701,715
Total Net Position	<u>\$ 569,560</u>	<u>\$ 7,777,881</u>	<u>\$ 19,469,742</u>
Total Revenues	\$ 9,091,408	\$ 22,447,421	\$ 132,842,090
Total Expenses	9,042,669	22,424,289	131,725,589
Change in Net Position	<u>\$ 48,739</u>	<u>\$ 23,132</u>	<u>\$ 1,116,501</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 9 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District participated in the RSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the RSRMA public entity risk pool for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with REEP to provide employee medical, surgical and dental benefits.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of approximately \$24.3 million to be paid from a combination of State and local funds.

NOTE 11 - PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members were required to contribute 8.15% of their salary in 2014-15. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by State statute.

PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015***NOTE 11 - PENSION PLANS (continued)****A. General Information about the Pension Plans (continued)****Contributions (continued)**

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 2,278,443	\$ 1,283,813
Employee contributions paid by employer	\$ -	\$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 29,804,162
CalPERS	\$ 7,538,017
Total Net Pension Liability	<u>\$ 37,342,179</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013*	0.051%	0.066%
Proportion - June 30, 2014	0.051%	0.066%
Change - Increase (Decrease)	<u>0.0%</u>	<u>0.0%</u>

* The District's proportionate share percentage was not separately determined for June 30, 2013, so the June 30, 2014 percentage was used to calculate the beginning amounts.

For the year ended June 30, 2015, the District recognized pension expense of \$3,242,926. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,562,258	\$ -
Net differences between projected and actual earnings on plan investments	-	(9,929,047)
	<u>\$ 3,562,258</u>	<u>\$ (9,929,047)</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of \$3,562,258 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (2,115,317)
2017	\$ (2,115,317)
2018	\$ (2,115,317)
2019	\$ -
2020	\$ -
Thereafter	\$ -

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Post-retirement Benefit Increase	2.00%	-
Investment Rate of Return	7.60%	7.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

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 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015***NOTE 11 – PENSION PLANS (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Discount Rate – for CalPERS (continued)***

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	47%	4.5%	5.7%
Global Fixed Income	N/A	19%	N/A	2.4%
Inflation Sensitive	5%	6%	3.2%	3.4%
Private Equity	12%	12%	6.2%	7.0%
Real Estate	15%	11%	4.4%	5.1%
Infrastructure and Forestland	N/A	3%	N/A	5.1%
Fixed Income	20%	N/A	0.2%	N/A
Liquidity	1%	2%	0.0%	-1.1%
	100%	100%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 46,454,880	\$ 13,223,402
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 29,804,162	\$ 7,538,017
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 15,918,120	\$ 2,787,304

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - PENSION PLANS (continued)

C. Payable to the Pension Plans

At June 30, 2015, the District reported a payable of \$93,296 and \$55,352 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2015.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Perris Elementary School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	28
Active plan members*	314
Total	<u>342</u>

* As of April 1, 2014 actuarial valuation

Following is a description of the current retiree benefit plan: In addition to the plans below, certain classified retirees receive benefits under grandfathered plans.

	<u>Certificated</u>	<u>Management</u>
Benefit types provided	Medical only	Medical only
Duration of benefits	Until Medicare Eligible	Until Medicare Eligible
Required service	12 years in the District	12 years in the District
Minimum age	55	55
Dependent coverage	No	No
District Contribution %	100%	100%
District cap	Single employee cost	Single employee cost

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2014-15, the District contributed \$343,198.

PERRIS ELEMENTARY SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2015*

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 620,882
Interest on net OPEB obligation	69,214
Adjustment to ARC	<u>(64,583)</u>
Annual OPEB cost	625,513
Contributions made	<u>(343,198)</u>
Increase in net OPEB obligation	282,315
Net OPEB obligation – July 1, 2014	<u>1,457,137</u>
Net OPEB obligation – June 30, 2015	<u>1,739,452</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-15 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 535,728	43.9%	\$ 1,103,657
2014	\$ 624,389	43.4%	\$ 1,457,137
2015	\$ 625,513	54.9%	\$ 1,739,452

Funded Status and Funding Progress – OPEB Plans

As of April 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$5.9 million and the unfunded actuarial accrued liability (UAAL) was \$5.9 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	April 1, 2014
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining amortization period	26 years
Asset Valuation	N/A
Actuarial assumptions:	
Investment rate of return	4.75%
Inflation	2.75%
Healthcare cost trend rate	4%

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Required Supplementary Information

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PERRIS ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 38,014,299	\$ 35,814,705	\$ 38,427,423	\$ 2,612,718
Federal	4,497,445	5,024,263	4,994,136	(30,127)
Other State	3,096,716	4,109,967	4,156,592	46,625
Other Local	499,609	647,698	730,012	82,314
Total Revenues	46,108,069	45,596,633	48,308,163	2,711,530
Expenditures				
Current:				
Certificated Salaries	22,711,804	21,812,344	22,731,248	(918,904)
Classified Salaries	5,413,274	5,163,031	5,356,518	(193,487)
Employee Benefits	7,954,565	7,759,373	7,851,187	(91,814)
Books and Supplies	3,818,304	2,438,838	2,281,434	157,404
Services and Other Operating Expenditures	6,829,633	5,524,452	7,039,352	(1,514,900)
Capital Outlay	264,320	130,193	57,720	72,473
Intergovernmental	(589,300)	(165,821)	(89,422)	(76,399)
Total Expenditures	46,402,600	42,662,410	45,228,037	(2,565,627)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(294,531)	2,934,223	3,080,126	145,903
Other Financing Sources and Uses				
Interfund Transfers Out	(544,819)	(550,801)	(644,240)	(93,439)
Total Other Financing Sources and Uses	(544,819)	(550,801)	(644,240)	(93,439)
Net Change in Fund Balance	(839,350)	2,383,422	2,435,886	52,464
Fund Balance, July 1, 2014	6,479,253	7,237,337	7,237,337	-
Fund Balance, June 30, 2015	\$ 5,639,903	\$ 9,620,759	\$ 9,673,223	\$ 52,464

*On-behalf payments of \$1,108,232 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

PERRIS ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – Charter School Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 6,564,026	\$ 6,571,918	\$ 6,498,004	\$ (73,914)
Federal	235,387	338,196	312,878	(25,318)
Other State	148,436	212,170	218,534	6,364
Other Local	37,000	49,000	54,880	5,880
Total Revenues	6,984,849	7,171,284	7,084,296	(86,988)
Expenditures				
Current:				
Certificated Salaries	3,137,485	3,080,547	3,098,086	(17,539)
Classified Salaries	474,682	429,557	443,971	(14,414)
Employee Benefits	976,108	933,536	944,449	(10,913)
Books and Supplies	681,289	746,948	558,979	187,969
Services and Other Operating Expenditures	785,486	996,398	868,557	127,841
Capital Outlay	270,868	218,610	240,625	(22,015)
Intergovernmental	305,107	354,309	335,889	18,420
Total Expenditures	6,631,025	6,759,905	6,490,556	269,349
Excess (Deficiency) of Revenues Over (Under) Expenditures	353,824	411,379	593,740	182,361
Other Financing Sources and Uses				
Interfund Transfers In	248,391	248,424	262,981	14,557
Interfund Transfers Out	(240,000)	(240,000)	(240,000)	-
Total Other Financing Sources and Uses	8,391	8,424	22,981	14,557
Net Change in Fund Balance	362,215	419,803	616,721	196,918
Fund Balance, July 1, 2014	3,936,836	3,991,485	3,991,485	-
Fund Balance, June 30, 2015	\$ 4,299,051	\$ 4,411,288	\$ 4,608,206	\$ 196,918

*On-behalf payments of \$152,711 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
September 1, 2009	\$ -	\$ 3,218,772	\$ 3,218,772	0.0%	\$20,666,344	15.6%
April 1, 2012	\$ -	\$ 4,918,849	\$ 4,918,849	0.0%	\$21,365,151	23.0%
April 1, 2014	\$ -	\$ 5,902,880	\$ 5,902,880	0.0%	\$19,023,301	31.0%

PERRIS ELEMENTARY SCHOOL DISTRICT***Schedule of Proportionate Share of the Net Pension Liability******For the Fiscal Year Ended June 30, 2015***

Last Ten Fiscal Years*

	<u>2014</u>
District's proportion of the net pension liability (asset):	
CalSTRS	0.0510%
CalPERS	0.0660%
District's proportionate share of the net pension liability (asset):	
CalSTRS	\$ 29,804,162
CalPERS	\$ 7,538,017
District's covered-employee payroll:	
CalSTRS	\$ 24,325,503
CalPERS	\$ 10,756,109
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	
CalSTRS	122.5%
CalPERS	70.1%
Plan fiduciary net position as a percentage of the total pension liability:	
CalSTRS	76.5%
CalPERS	83.4%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PERRIS ELEMENTARY SCHOOL DISTRICT

Schedule of Contributions

For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

	<u>2014</u>
Actuarially determined contribution:	
CalSTRS	\$ 2,278,443
CalPERS	\$ 1,283,813
Contributions in relation to the actuarially determined contribution:	
CalSTRS	\$ 2,278,443
CalPERS	\$ 1,283,813
Contribution deficiency (excess):	
CalSTRS	\$ -
CalPERS	\$ -
District's covered-employee payroll:	
CalSTRS	\$ 24,325,503
CalPERS	\$ 10,756,109
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PERRIS ELEMENTARY SCHOOL DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	General Fund	Charter School Fund
Certificated Salaries	\$ 918,904	\$ 17,539
Classified Salaries	193,487	14,414
Employee Benefits	91,814	10,913
Services and Other Operating Expenditures	1,514,900	-
Capital Outlay	-	22,015
Intergovernmental	76,399	-

Supplementary Information

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PERRIS ELEMENTARY SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2015

The Perris Elementary School District was established as a school district in 1893. The District encompasses approximately 55 square miles in the city of Perris and other unincorporated areas of Riverside County. There were no changes in District boundaries during this year. The District operates seven elementary schools (kindergarten through grade 6). Beginning in 2011-12, the District opened the Innovative Horizons Charter School (Charter No. 1294), currently operating classes in kindergarten through grade 8.

GOVERNING BOARD

Member	Office	Term Expires
Thomas Elliot	President	November, 2015
Virniecia Green-Jordan	Clerk	November, 2015
Monica Martin	Member	November, 2017
Jose "Pepe" Garcia	Member	November, 2017
Natalie Vasquez	Member	November, 2017

DISTRICT ADMINISTRATORS

Vincent J. Ponce,
Superintendent

Jean Marie Fr  y,
Assistant Superintendent, Educational Services

Tina Daigneault,
Chief Business Official

PERRIS ELEMENTARY SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2015***PERRIS ELEMENTARY SCHOOL DISTRICT**

	Second Period Report	Annual Report
	Certificate No. (34F68619)	Certificate No. (EC29225E)
Regular ADA:		
Transitional Kindergarten through Third	2,703.73	2,706.47
Fourth through Sixth	1,981.59	1,982.72
Total Regular ADA	4,685.32	4,689.19
Special Education, Nonpublic, Nonsectarian Schools:		
Fourth through Sixth	0.10	0.10
Total Special Education, Nonpublic, Nonsectarian Schools	0.10	0.10
Total ADA	4,685.42	4,689.29

INNOVATIVE HORIZONS CHARTER SCHOOL

	Second Period Report	Annual Report
	Certificate No. (C7D66C85)	Certificate No. (65864438)
Classroom-based ADA:		
Transitional Kindergarten through Third	374.31	374.19
Fourth through Sixth	271.98	271.35
Seventh through Eighth	206.16	205.02
Total Classroom-based ADA	852.45	850.56

All charter school ADA is generated through classroom-based instruction.

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2015

PERRIS ELEMENTARY SCHOOL DISTRICT

Grade Level	1986-87 Minutes		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	37,260	180	Complied
Grade 1	50,400	49,000	55,260	180	Complied
Grade 2	50,400	49,000	55,260	180	Complied
Grade 3	50,400	49,000	55,260	180	Complied
Grade 4	54,000	52,500	55,260	180	Complied
Grade 5	54,000	52,500	55,260	180	Complied
Grade 6	54,000	52,500	55,260	180	Complied

* Amounts reduced as permitted by Education Code Section 46201.2(a).

INNOVATIVE HORIZONS CHARTER SCHOOL

Grade Level	1986-87 Minutes		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	34,971	64,150	176	Complied
Grade 1	50,400	48,960	62,065	176	Complied
Grade 2	50,400	48,960	62,065	176	Complied
Grade 3	50,400	48,960	62,065	176	Complied
Grade 4	54,000	52,457	62,065	176	Complied
Grade 5	54,000	52,457	62,065	176	Complied
Grade 6	54,000	52,457	62,065	176	Complied
Grade 7	54,000	52,457	62,065	176	Complied
Grade 8	54,000	52,457	62,065	176	Complied

* Amounts reduced as permitted by Education Code Section 46201.2(a).

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2015

General Fund	(Budget) 2016 ³	2015*	2014	2013
Revenues and other financing sources	\$ 54,697,002	\$ 48,308,163	\$ 43,509,750	\$ 39,662,348
Expenditures	51,556,923	45,228,037	43,918,955	39,528,499
Other uses and transfers out	1,628,169	644,240	594,820	1,280,360
Total outgo	53,185,092	45,872,277	44,513,775	40,808,859
Change in fund balance (deficit)	1,511,910	2,435,886	(1,004,025)	(1,146,511)
Ending fund balance	\$ 11,185,133	\$ 9,673,223	\$ 7,237,337	\$ 8,241,362
Available reserves ¹	\$ 3,359,422	\$ 8,234,214	\$ 4,903,365	\$ 2,010,443
Available reserves as a percentage of total outgo	6.3%	18.0%	11.0%	4.9%
Total long-term debt	\$ 70,750,386	\$ 71,256,828	\$ 21,753,770	\$ 16,993,734
Average daily attendance at P-2 ²	4,693	4,685	4,726	4,679

The General Fund balance has increased by \$1,431,861 over the past two years. The fiscal year 2015-16 adopted budget projects a increase of \$1,511,910. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and is anticipating an operating surplus during the 2015-16 fiscal year. Long-term debt has increased by \$54,263,094 over the past two years.

Average daily attendance has increased by 6 over the past two years. An increase of 8 ADA is anticipated during fiscal year 2015-16.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Excludes Charter School ADA.

³ Revised Budget September 2015.

*On-behalf payments of \$1,108,232 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

PERRIS ELEMENTARY SCHOOL DISTRICT

***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2015***

***There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.***

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
National School Lunch	10.555	13523	\$ 3,068,711	
Especially Needy Breakfast	10.553	13526	601,893	
USDA - Donated Foods	10.555	N/A	319,952	
Total Child Nutrition Cluster				\$ 3,990,556
Total U.S. Department of Agriculture				3,990,556
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		4,141,196
Title II, Part A, Teacher Quality Local	84.367	14341		188,696
Title III, Limited English Proficiency	84.365	14346		254,375
Title X, McKinney-Vento Homeless Children Assistance	84.196	14332		1,466
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster (IDEA):				
Basic Local Assistance, Part B	84.027	13379	585,867	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	1,427	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	7,287	
Preschool Grants, Part B	84.173	13430	13,103	
Preschool Local Entitlement, Part B	84.027A	13682	32,022	
Preschool Staff Development, Part B	84.173A	13431	140	
Total Special Education Cluster (IDEA)				639,846
Total U.S. Department of Education				5,225,579
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medicaid Cluster:				
Medi-Cal Billing	93.778	10013	92,953	
Medi-Cal Administrative Activities	93.778	10060	100,688	
Total Medicaid Cluster				193,641
Total U.S. Department of Health & Human Services				193,641
Total Expenditures of Federal Awards				\$ 9,409,776

PERRIS ELEMENTARY SCHOOL DISTRICT

Schedule of Charter Schools

For the Fiscal Year Ended June 30, 2015

<u>Charter School</u>	<u>Included in Financial Statements?</u>
Innovative Horizons Charter	Yes

PERRIS ELEMENTARY SCHOOL DISTRICT*Schedule of Revenues and Expenditures – Riverside County Commission of**Children and Families Grants**For the Fiscal Year Ended June 30, 2015*

	<u>Grant No. 14200 SN</u> <u>July 1, 2014 to</u> <u>June 30, 2015</u>	<u>Grant No. 13310 AQ</u> <u>July 1, 2014 to</u> <u>June 30, 2015</u>	<u>Grant No. 13310 QP</u> <u>July 1, 2014 to</u> <u>June 30, 2015</u>
Revenues			
Grant revenues	<u>\$ 20,733</u>	<u>\$ 466,826</u>	<u>\$ 50,990</u>
Expenditures			
Personnel services	-	398,811	42,610
Materials & supplies	14,204	2,820	662
Other services & operating expenses	<u>6,529</u>	<u>70,049</u>	<u>7,917</u>
Total Expenditures	<u>20,733</u>	<u>471,680</u>	<u>51,189</u>
District contributions required	<u>\$ -</u>	<u>\$ (4,854)</u>	<u>\$ (199)</u>

PERRIS ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not 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 requirement, as reduced by Education Code section 46201.2(a).

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.

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 Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools

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

Schedule of Revenues and Expenditures - Riverside County Commission of Children and Families Grants

These schedules present the financial information of the School Readiness Grants received from the Riverside County Commission of Families and Children.

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Other Independent Auditors' Reports

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NIGRO & NIGRO^{PC}

A PROFESSIONAL ACCOUNTANCY CORPORATION

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

Governing Board
Perris Elementary 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 Elementary School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Perris Elementary School District's basic financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perris Elementary 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 the Perris Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perris Elementary 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 Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 2, 2015



NIGRO & NIGRO^{PC}

A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Perris Elementary School District
Perris, California

Report on State Compliance

We have audited Perris Elementary School District's compliance with the types of compliance requirements described in the *2014-15 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 Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Perris Elementary School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Perris Elementary 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 State program. However, our audit does not provide a legal determination of Perris Elementary School District's compliance.

In connection with the audit referred to on the prior page, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Perris Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

District's Response to Finding

Perris Elementary School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Perris Elementary School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC

Murrieta, California
December 2, 2015



NIGRO & NIGRO^{PC}

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

Governing Board
Perris Elementary School District
Perris, California

Report on Compliance for Each Major Federal Program

We have audited Perris Elementary School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Perris Elementary School District's major federal programs for the year ended June 30, 2015. Perris Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Perris Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perris Elementary 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 Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Perris Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Perris Elementary 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 Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, as defined above. However, material weaknesses may exist that have not been identified.

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



Murrieta, California
December 2, 2015

Findings and Questioned Costs

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PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None noted</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	<u>Child Nutrition Cluster</u>
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
---	-------------------

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2014-15.

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2014-15.

PERRIS ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2015- 1 : CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that one student was reported as qualifying for free or reduced priced meals, but did not qualify based on the alternative form for the 2014-15 fiscal year. This is due to an isolated error that occurred during the review of applications.

Context: We noted an error in one of the three schools we tested.

Questioned Costs: \$243. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site	CALPADS Reported	Adjusted based on eligibility for:	Adjusted Total
		FRPM	
Innovative Horizons Charter	802	(1)	801
Aggregate remaining schools	4,512	-	4,512
District-wide	5,314	(1)	5,313

The enrollment count of 5,822 was not impacted as a result of the procedures performed.

Recommendation: We recommend that procedures implemented are followed by the district to ensure that student eligibility is correct.

District Response: The District uses a computer software program to help validate the FRPM records and has limited the number of staff members that use the program. These staff members have become extremely proficient with the program, leading to decreased errors.

PERRIS ELEMENTARY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2014-1: Unduplicated Pupil Count</i>	<p>In order to be counted in CALPADS report 1.17, a student must have an open primary or short-term enrollment in CALPADS over Census Day (the first Wednesday in October) and meet one or more of the following criteria:</p> <ul style="list-style-type: none"> ▪ Have a program record with an education program code of homeless, Migrant, Free Meal Program, or Reduced-Price Meal Program, that is open over Census Day ▪ Have an English Language Acquisition Status of "English learner" (EL) that is effective over Census Day ▪ Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS ▪ Be identified as a foster youth based on a statewide match conducted by CALPADS ▪ Be identified as foster youth through a local data matching process and submitted to and validated by CALPADS (functionality will be implemented in fall 2014) <p>During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted two students who were reported as qualifying for free or reduced priced meals, but did not have an alternative income survey on file for the 2013-14 fiscal year.</p>	40000	We recommend that procedures are established to ensure that all alternative income survey's are received and verified against the CALPADS data to ensure that the information reflected is accurate prior to the submission of the CALPADS report.	Not Implemented. See Finding 2015-1.

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