

**MEASURES "C" AND "S" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2017**



**MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2017*

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## **MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF PERRIS ELEMENTARY SCHOOL DISTRICT**

### *Introduction and Citizens' Oversight Committee Member Listing*

*June 30, 2017*

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On November 7, 2006, the voters of the Perris Elementary School District approved by more than 55% Measure "S", authorizing the issuance and sale of \$25.0 million of general obligation bonds. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds.

On June 3, 2014, a special election was held at which more than 55% of the voters in the District approved general obligation bonds, which authorized the issuance and sale of \$40.0 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.

The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2017:

Name	Title	Representation
David Santos	Chairman	Parent/ Guardian of Child in District - Active in Parent Teacher Organization
Jose M. Marin	Vice-Chairman	Business Representative
Mike Behrens	Member	Business Representative
Sheila Briggs	Member	At-Large Community Member
Yolanda De La Torre	Member	At-Large Community Member
Joanne Evans	Member	Senior Citizen Group Representative
Anel Medina	Member	Parent/ Guardian of Child in District
Lynn Sugar-Germain	Member	At-Large Community Member
Vacant	Member	Taxpayer Organization Member

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## ***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

The Governing Board and the  
Citizens' Bond Oversight Committee  
Perris Elementary School District  
Perris, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measures "C" and "S" General Obligation Bond Building Fund of Perris Elementary School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures "C" and "S" General Obligation Bond Building Fund of Perris Elementary School District, as of June 30, 2017, and the 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, the financial statements present only the Measures "C" and "S" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Perris Elementary School District, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017 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.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
October 24, 2017

**MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT**

*Balance Sheet*

*June 30, 2017*

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	<u>Measures "C" &amp; "S"</u>
<b>ASSETS</b>	
Cash	\$ 6,858,759
Accounts receivable	<u>17,584</u>
<b>Total Assets</b>	<u><u>\$ 6,876,343</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	<u>\$ 279,461</u>
<b>Fund Balance</b>	
Restricted for capital projects	<u>6,596,882</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 6,876,343</u></u>

**MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Change in Fund Balance*

*For the Fiscal Year Ended June 30, 2017*

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	<u>Measures "C" &amp; "S"</u>
<b>REVENUES</b>	
Interest earnings	<u>\$ 32,126</u>
<b>Total Revenues</b>	<u>32,126</u>
<b>EXPENDITURES</b>	
Current:	
Plant services	4,000
Capital Outlay	4,898,956
Debt Service:	
Debt issuance costs	<u>202,391</u>
<b>Total Expenditures</b>	<u>5,105,347</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(5,073,221)
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from bond issuance	6,907,968
Premiums on issuance	10,047
Discount on issuance	<u>(9,297)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>6,908,718</u>
<b>Net Change in Fund Balance</b>	1,835,497
<b>Fund Balance, July 1, 2016</b>	<u>4,761,385</u>
<b>Fund Balance, June 30, 2017</b>	<u><u>\$ 6,596,882</u></u>



## MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF PERRIS ELEMENTARY SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2017*

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

On November 7, 2006, the voters of the Perris Elementary School District approved by more than 55% Measure "S", authorizing the issuance and sale of \$25.0 million of general obligation bonds. On August 22, 2007, the District issued Series 2007 of the Election of 2006 General Obligation bonds in the amount of \$7,999,571. On September 11, 2013, the District issued Series B of the Election of 2006 General Obligation bonds in the amount of \$4,336,671. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds.

On June 3, 2014, the voters of the Perris Elementary School District approved by more than 55% Measure "C", authorizing the issuance and sale of \$40.0 million of general obligation 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, 2017, the outstanding balance on Series 2014A bond was \$12,135,000.

The Bond proceeds are accounted for in the District's Building Fund (21), where they are expended for the approved projects. The statements presented are for the individual Measures "C" and "S" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

#### B. Basis of Accounting

The Measures "C" and "S" General Obligation Bond Building Fund is a governmental fund 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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.

#### C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

#### 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.

## MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF PERRIS ELEMENTARY SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2017*

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. 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.

**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.

#### F. 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 reporting period. Actual results could differ from those estimates.

### NOTE 2 – CASH

#### Pooled Funds

In accordance with Education Code Section 41001, the District maintains all of its Building Fund 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.

**MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 2 – CASH (continued)**

**Pooled Funds (continued)**

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, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017, consisted of \$17,584 due from the County Treasurer for interest earnings.

**NOTE 4 – MEASURES "C" AND "S" GENERAL OBLIGATION BONDS**

On August 22, 2007, the District issued Election of 2006, 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.

On September 11, 2013, the District issued Election of 2006, Series B, in the amount of \$4,336,671. The issue consisted of: a) Current Interest Serial 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 fully maturing on August 1, 2029, and c) Capital Appreciation Bonds of \$2,371,671 with stated interest rates ranging from 6.0% to 6.9% and maturing on August 1, 2040.

On September 10, 2014, the District issued Election of 2014, 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.

On April 4, 2017, the District issued Election of 2006, Series 2017, in the amount of \$2,500,000. The issue consisted of: a) Serial Bonds of \$120,000 with a stated interest rate of 5.0% and fully maturing on August 1, 2020, and b) Term Bonds of \$2,380,000 with stated interest rates ranging from 4.0% to 4.05% and fully maturing on August 1, 2046.

On April 4, 2017, the District issued Election of 2014, Series 2017, in the amount of \$4,500,000. The issue consisted of: a) Serial Bonds of \$410,000 with stated interest rates ranging from 3.125% to 5.0% and fully maturing on August 1, 2030, and b) Term Bonds of \$4,090,000 with stated interest rates ranging from 3.75% to 4.0% and fully maturing on August 1, 2046.

# MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF PERRIS ELEMENTARY SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2017*

## NOTE 4 – MEASURES "C" AND "S" GENERAL OBLIGATION BONDS (continued)

### 2017 General Obligation Refunding Bonds

On April 4, 2017, the District issued \$5,640,000 of General Obligation Refunding Bonds, Series 2017. The bonds bear fixed interest rates ranging between 3.125% and 5.0% with annual maturities from August 1, 2017 through August 1, 2030. The net proceeds of \$6,265,708 (after premiums of \$797,839, cash deposits of \$888 and issuance costs of \$172,131) were used to refund a portion of the Election of 2006, Series 2007 and pay the costs of issuance.

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 bonds are considered to be defeased, and the related liability for the bonds 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 amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$6,145,000.

The refunding decreased the District's total debt service payments by \$588,551. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$448,621.

### Summary

The summary of outstanding general obligation bonds that have been issued under Measures "C" and "S" to date is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
2006(A)	8/22/2007	8/1/2033	4.0%-5.25%	\$ 7,999,571	\$ 6,744,571	\$ -	\$ 6,355,000	\$ 389,571
2006(B)	9/11/2013	8/1/2040	3.25%-5.0%	4,336,671	4,316,671	-	20,000	4,296,671
2006 (17)	4/4/2017	8/1/2046	4.0%-5.0%	2,500,000	-	2,500,000	-	2,500,000
2014(A)	9/10/2014	8/1/2044	2.5%-6.0%	12,340,000	12,300,000	-	165,000	12,135,000
2014 (17)	4/4/2017	8/1/2046	3.125%-5.0%	4,500,000	-	4,500,000	-	4,500,000
Refunding (17)	4/4/2017	8/1/2030	3.125%-5.0%	5,640,000	-	5,640,000	-	5,640,000
				<u>\$ 37,316,242</u>	<u>\$ 23,361,242</u>	<u>\$ 12,640,000</u>	<u>\$ 6,540,000</u>	<u>\$ 29,461,242</u>

The requirements to amortize outstanding Measures "S" bonds are as follows:

Fiscal Year	Principal	Interest	Total
2017-18	\$ 315,000	\$ 402,002	\$ 717,002
2018-19	300,000	444,806	744,806
2019-20	350,000	428,556	778,556
2020-21	405,000	410,081	815,081
2021-22	405,000	391,063	796,063
2022-27	2,870,000	1,600,969	4,470,969
2027-32	3,555,682	1,833,158	5,388,840
2032-37	1,309,193	4,716,707	6,025,900
2037-42	1,306,367	4,681,733	5,988,100
Total	<u>\$ 12,826,242</u>	<u>\$ 15,124,075</u>	<u>\$ 27,950,317</u>

**MEASURES "C" AND "S" GENERAL OBLIGATION BOND BUILDING FUND OF  
PERRIS ELEMENTARY SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 4 – MEASURES "C" AND "S" GENERAL OBLIGATION BONDS (continued)**

The requirements to amortize outstanding Measure "C" bonds area as follows:

Fiscal Year	Principal	Interest	Total
2017-18	\$ 195,000	\$ 624,611	\$ 819,611
2018-19	105,000	648,956	753,956
2019-20	140,000	642,831	782,831
2020-21	185,000	634,706	819,706
2021-22	80,000	628,081	708,081
2022-27	590,000	3,059,456	3,649,456
2027-32	1,450,000	2,718,381	4,168,381
2032-37	2,895,000	2,375,891	5,270,891
2037-42	4,985,000	1,665,163	6,650,163
2042-47	6,010,000	575,831	6,585,831
Total	<u>\$ 16,635,000</u>	<u>\$ 13,573,908</u>	<u>\$ 30,208,908</u>

**NOTE 5 – CONSTRUCTION COMMITMENTS**

At June 30, 2017, the District had commitments with respect to unfinished capital projects of approximately \$3.5 million to be paid from a combination of state and local funds.

**NOTE 6 – OVERSIGHT COMMITTEE**

Education Code Section 15282(a) states that the Citizens' Oversight Committee must consist of at least seven members and must be comprised of the following members: one member shall be active in a business organization representing the business community located within the district, one member shall be active in a senior citizens' organization, one member shall be active in a bona fide taxpayers' organization, one member shall be the parent or guardian of a child enrolled in the district, and one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. The Citizens' Oversight Committee currently has eight members, however, no one represents a bona fide taxpayers' organization.

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***Other Independent Auditors' Reports***

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**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**

The Governing Board and the  
Citizens' Bond Oversight Committee  
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 Measures "C" and "S" General Obligation Bond Building Fund of Perris Elementary School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2017.

**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.



Murrieta, California  
October 24, 2017



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Governing Board and the  
Citizens' Bond Oversight Committee  
Perris Elementary School District  
Perris, California

We have examined the Perris Elementary School District's compliance with the performance requirements for the Proposition 39 Measures "C" and "S" General Obligation Bond for the fiscal year ended June 30, 2017, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Objectives

The objectives of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The expenditures charged to the Perris Elementary School District Building Fund are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measures "C" and "S".
- Any discrepancies or weaknesses in internal controls and recommendations for improvement are noted.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2016 to June 30, 2017. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2017 were not reviewed or included within the scope of our audit or in this report.

### **Procedures Performed**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2017 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measures "C" and "S" with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$3.9 million in bond fund invoices paid. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measures "C" and "S" election documents.
- We visited the construction site of Clearwater Elementary School to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measures "C" and "S" General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Governing Board, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, stylized font.

Murrieta, California  
October 24, 2017