



Financial Statements
June 30, 2021

Perris Union High School District



Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Government Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Government Fund Financial Statements	
Balance Sheet – Governmental Funds.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds.....	25
Statement of Changes in Net Position – Fiduciary Funds	26
Notes to Financial Statements	27
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	66
Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program	67
Schedule of the District’s Proportionate Share of the Net Pension Liability	68
Schedule of the District Contributions	69
Note to Required Supplementary Information	70
Supplementary Information	
Schedule of Expenditures of Federal Awards	71
Local Education Agency Organization Structure	72
Schedule of Instructional Time.....	73
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	74
Schedule of Financial Trends and Analysis.....	75
Schedule of Charter Schools	76
Combining Balance Sheet – Non-Major Governmental Funds	77
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds	78
Note to Supplementary Information	80
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	84
Independent Auditor’s Report on State Compliance	86

Schedule of Findings and Questioned Costs

Summary of Auditor's Results.....	89
Financial Statement Findings	90
Federal Awards Findings and Questioned Costs	91
State Compliance Findings and Questioned Costs	92
Summary Schedule of Prior Audit Findings.....	93
Management Letter.....	94



Independent Auditor's Report

To the Governing Board
Perris Union High School District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are 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 4 through 16, budgetary comparison information on page 66, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 67, schedule of the District's proportionate share of the net pension liability on page 68, and schedule of District contributions on page 69, 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 financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents 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 combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2021 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
November 4, 2021



PERRIS UNION HIGH SCHOOL DISTRICT

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Superintendent: [Grant Bennett](#)

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Robert Brough
Assistant Superintendent
Educational Services

Kirk Skorpanich
Assistant Superintendent
Human Resources

Joseph Williams
Executive Director
Technology

This section of Perris Union High School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Perris Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

With the Local Control Funding Formula or LCFF, the District is given flexibility to make funding decisions that provide the most impact and be most beneficial for our students. Here at Perris Union High School District (PUHSD), we embraced the opportunity for local control and are providing a vast array of innovative programs and opportunities for our students. With this local control comes accountability, the District's Local Control Accountability Plan, or LCAP goals are:

- Goal #1: All students will attain proficiency in English Language Arts and mathematics.
- Goal #2: All students will graduate from high school prepared for postsecondary and career options or obtain a certificate of high school completion.
- Goal #3: All departments and sites will provide a safe and positive learning environment for all students and staff.
- Goal #4: Secure and strengthen home-school-community connections and communications.

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

The 2020-2021 school year was one which saw an important and critical response by Maintenance and Operations to the COVID 19 Pandemic which completely impacted the way schools conducted business. From the complete campus closures which went into effect in March of 2019 to the partial campus openings when PUHSD enacted a hybrid model of instruction to the complete opening of our campuses for the new school year in August 2021. Maintenance and operations enacted many COVID enhanced, operational changes to meet the needs of our District along with ensuring our students and staff were protected by following all state and federal guidelines and mandates related to how we do business. M&O put in place procedures for enhanced cleaning and sanitation of all high touch surfaces, developed and implemented COVID procedures and related signage on all campuses and District buildings, built and installed safety barriers on all student/staff work areas as well as researched and purchased air purifiers which operate in our buildings to ensure clean air for our students and staff. Additionally, ventilation systems were serviced and inspected districtwide for proper operation. Maintenance and Operations continues to ensure a safe environment for teachers and students. .

The 2021-2022 school year was also one of a progression for the PUHSD Facilities Master Plan which was developed to create a methodical plan for building and development in our District. It was through hard work and determination that PUHSD was able to open the Liberty High School Campus for the 2021-2022 school year. Construction on the Liberty campus began in 2019 and its journey through construction started off very tight with a 26 month construction schedule. The Liberty High School Campus includes 91 classrooms situated on 52 acres of land in the Winchester area of our District. When construction began, it was not known that the project would proceed through a global pandemic. The Liberty High School campus was built through what at times became an unbelievable set of challenges that included material shortages, back ordered materials, escalating costs, labor shortages, entire crews quarantined due to COVID, and worker illnesses. In spite of all of the delays and project impacts, PUHSD was still able to open the campus for our students and our community as promised. All areas which were needed for instruction and administration on the campus were ready for

students and staff on the first day of school. Construction continues in various areas of the campus, and great progress is being made to these areas each day. The theater building and aquatics center are still under construction and scheduled for completion during the next few months.

In addition to Liberty, the Perris High School Campus is currently undergoing a new construction and renovation project known as the Perris High School Completion Phase. This project represents the culmination of many years of planning and the phasing of the complete transformation of the Perris High campus into a modern, state of the art campus, that is a symbol of PUHSD's dedication to the best facilities possible for our students. The Completion Phase includes a new administration building, visual and performing arts facilities (VAPA building), agricultural mechanical and animal housing facilities, athletics and operations building, along with new tennis courts and an additional home side concession facility at the campus stadium. The existing weight room and wrestling rooms which were once the boys' locker rooms are also being renovated. This project will be completed in phases, the first of which will be the Administration Building which is scheduled to open in August of 2022.

Construction continues at the Paloma Valley High School Campus. Crews began working on a much needed and long awaited pool facility. The pool project began construction in May of 2021 and will continue for approximately a year. Still in the planning stages are the additional campus improvements, including relocation of the administrative offices, onsite parking/traffic circulation improvements, a new student union (to include ASB/Student Store, Video Production/Broadcast Studio, Media Center/Scholar Bar), a new multipurpose room (to include Culinary Arts and Auto Shop).

A new pool is also currently under construction at Heritage High School. This project includes a 33 meter pool that matches the ones being built at Liberty and Paloma, team rooms as well as a campus operations center that will provide Heritage with a central storage and operations area for the campus.

Finally, completed during the 2020-2021 school year, is the CMI Gymnasium and Parking/Circulation Project. The new gymnasium on the California Military Institute Campus, includes a full-sized/CIF regulation court, girls and boys locker facilities with coaches' offices, a large ASB/flexible learning space and an exercise room with equipment. Additionally, this project reconfigured and expanded the south and west areas of the campus to accommodate new/expanded student drop off, vehicular circulation and additional parking facilities. District staff worked closely with the City of Perris to coordinate the City's widening of A Street in front of the campus and worked collaboratively with City staff to add a much needed traffic signal at the south end of the campus at Highland Vista. This signal includes a signalized crosswalk that has greatly improved student safety as they are accessing the campus. In addition to the gymnasium project, two sets of existing student restrooms were remodeled and modernized. These restrooms were modernized with new tile walls, plumbing, electrical upgrades and new fixtures. These original 1962 restrooms were upgraded and made ADA compliant. The improvements at the CMI campus are a source of pride for the CMI community as they have been very excited and complimentary of the new gymnasium and related improvements on the CMI campus.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a charter school, and the ongoing effort to expand, improve, and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others. The District's fiduciary activities are reported in the Statement of Net Position – Fiduciary Funds and Statement of Changes in Net Position – Fiduciary Funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$245,018,944 for the fiscal year ended June 30, 2021. Of this amount, \$93,437,024 was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2021	2020 (as restated)
Assets		
Current and other assets	\$ 213,502,025	\$ 217,853,386
Capital assets	491,621,910	398,007,943
Total assets	705,123,935	615,861,329
Deferred outflows of resources	35,851,564	37,605,690
Liabilities		
Current liabilities	26,474,671	23,731,388
Long-term liabilities	464,616,691	462,700,242
Total liabilities	491,091,362	486,431,630
Deferred inflows of resources	4,865,193	8,233,346
Net Position		
Net investment in capital assets	254,507,788	213,498,304
Restricted	83,948,180	48,764,970
Unrestricted (Deficit)	(93,437,024)	(103,461,231)
Total net position	\$ 245,018,944	\$ 158,802,043

The \$93,437,024 in unrestricted deficit of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 18. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020 *
Revenues		
Program revenues		
Charges for services	\$ 4,298,948	\$ 3,239,010
Operating grants and contributions	46,514,041	29,890,298
Capital grants and contributions	61,885,959	3,050,774
General revenues		
Federal and State aid not restricted	86,578,966	89,445,162
Property taxes	54,909,175	49,524,250
Other general revenues	5,626,900	5,920,129
Total revenues	<u>259,813,989</u>	<u>181,069,623</u>
Expenses		
Instruction-related	115,852,687	115,605,472
Pupil services	18,837,696	19,740,634
Administration	9,567,292	9,987,558
Plant services	12,801,539	13,431,881
All other services	16,537,874	17,189,296
Total expenses	<u>173,597,088</u>	<u>175,954,841</u>
Change in net position	<u>\$ 86,216,901</u>	<u>\$ 5,114,782</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was \$173,597,088. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$54,909,175 because the cost was paid by those who benefited from the programs (\$4,298,948) or by other governments and organizations who subsidized certain programs with grants and contributions (\$108,400,000). We paid for the remaining "public benefit" portion of our governmental activities with \$86,578,966 in Federal and State funds, and with \$5,626,900 in other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 115,852,687	\$ 115,605,472	\$ (25,088,847)	\$ (94,838,888)
Pupil services	18,837,696	19,740,634	(10,845,869)	(13,316,333)
Administration	9,567,292	9,987,558	(7,026,105)	(8,778,388)
Plant services	12,801,539	13,431,881	(8,743,431)	(13,247,750)
All other services	16,537,874	17,189,296	(9,193,888)	(9,593,400)
Total	\$ 173,597,088	\$ 175,954,841	\$ (60,898,140)	\$ (139,774,759)

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$190,566,775 which is a decrease of \$7,228,429 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Uses Financing Uses	
General	\$ 19,602,773	\$ 149,270,656	\$ 123,162,303	\$ 45,711,126
Building	124,484,061	431,268	64,918,437	59,996,892
County School Facilities	4,241,648	61,894,012	34,004,583	32,131,077
Bond Interest and Redemption	32,635,934	18,039,137	20,158,496	30,516,575
Student Activity	767,404	373,008	342,451	797,961
Charter Schools	4,742,165	14,601,917	12,371,102	6,972,980
Adult Education	76,617	442,898	334,454	185,061
Cafeteria	2,379,627	5,170,479	3,894,935	3,655,171
Capital Facilities	4,537,635	4,178,443	3,592,550	5,123,528
Capital Projects for Blended Component Units	4,326,808	4,096,687	2,947,158	5,476,337
Debt Service	361	1,818,731	1,819,028	64
Debt Service for Blended Component Units	171	1,819,032	1,819,200	3
Total	\$ 197,795,204	\$ 262,136,268	\$ 269,364,697	\$ 190,566,775

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

1. The General Fund is the District's principal operating fund. The fund balance in the General Fund increased by \$26,108,353 from the previous year due to the receipt of one-time monies and due to the savings experienced during distance learning due to the COVID-19 pandemic.
2. The Charter School Fund balance increased by \$2,230,815. The net increase is primarily due to receiving one-time monies and the savings experienced during distance learning due to the COVID-19 pandemic.
3. The Building Fund and Bond Interest and Redemption Fund decreased by \$66,606,528 collectively due to multi-year facilities projects.
4. The Capital Facilities Fund and Capital Projects Fund for Blended Component Units increased by \$1,735,422 collectively due to increase in local revenues.
5. The County School Facilities Fund increased by \$27,889,429 due to receipt of Proposition 51 state grants.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. Within 45 days of adoption of the State Budget, the District is required to provide the Board of Education with the budgetary impact. In addition, the budget changes due to having the actual fund balances from previous year are made in September, when the Unaudited Actuals Report is submitted to the Board.

First and Second Interim Financial Reports provide the Board with a comprehensive review of the District budgets and is used to make appropriation adjustments as needed. In addition, the Board approves Resolutions to Budget for Grants and Awards throughout the fiscal year to account for new and/or revised allocations. (A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 66.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$491,621,910 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$93,613,967 or 23.5%, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 210,388,645	\$ 108,341,741
Buildings and improvements	278,228,562	286,856,609
Furniture and equipment	3,004,703	2,809,593
Total	\$ 491,621,910	\$ 398,007,943

This year’s increase of \$93,613,967 is primarily a result of facilities improvement projects, including new construction and modernization projects. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$464,616,691 in long-term liabilities outstanding versus \$462,700,242 last year, an increase of \$1,916,449 or 0.41%. These long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 254,216,501	\$ 262,981,883
Certificates of participation	40,095,000	40,195,000
Qualified school construction bonds	968,368	1,092,308
Unamortized premiums	23,920,632	25,013,832
Capital leases	-	178,497
Compensated absences	858,939	767,675
Choice 2000 settlement agreement	117,500	235,000
Net OPEB liability	744,333	644,974
Aggregate net pension liability	143,695,418	131,591,073
Total	\$ 464,616,691	\$ 462,700,242

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021

The unprecedented COVID-19 pandemic has affected the entire Perris Union High School District community and drastically changed the lives of our students, families, and staff. The unexpected closure of schools in March 2020 has impacted the physical, emotional, social, and educational needs of our students and caused high levels of stress and trauma to them and their families.

The closure of schools has challenged their ability to access basic services such as child care and with increased unemployment comes the challenges to access nutritious meals and to technology and WiFi connection. Families and students have also been impacted by the physical separation from targeted supports and services that are typically provided in-person, including many services for English Learners, Foster Youth, Homeless Youth, and Students with Disabilities.

The COVID-19 pandemic has also resulted in increased isolation and disconnection due to the physical and social separation from the classroom and school community. Curriculum pacing, traditional methods of instruction, and assessments of student learning have also been disrupted.

The District initiated an immediate transition to distance learning on March 13, 2020 by first ensuring all students had Chromebooks to utilize while at home to maintain continuity of learning during the stay at home order. Additionally, the District worked with the local bargaining unit to develop a consistent protocol for posting work weekly and communicating to students and families regarding daily assignments from teachers.

The District was especially concerned about equity, and worked to ensure that our socioeconomically disadvantaged students, homeless/foster youth, English Learner, and students receiving special education services who did not have devices were served first.

During the initial phase of our transition to distance learning the District provided enrichment activities for all students that were shared virtually from the District office. This allowed for the teachers to have several weeks to plan and prepare to make the transition to distance learning. Many teachers used this time to experiment with practices and allow students to complete make-up work for any assignments that were missed. Following spring break, the District rolled out districtwide distance learning for all students. This included an agreement that the assignments completed in distance learning would “Do No Harm” to students’ current grades but allow for only improvement.

As we concluded the semester, we have engaged families, students and teachers with surveys in order to collect feedback on distance learning. Our Community Engagement Specialist continued to provide regular updates to our families in Spanish and English via Blackboard and on the District website throughout this process. Over the summer we continued to update our families regarding updates the District received regarding how educational services will be provided in the fall.

On July 8, 2020, the school board for the Perris Union High School District decided to open schools in the fall in a full distance learning model. During this time, the school board expressed interest in not only the distance learning model for the fall, but also communicated that the District should plan for a transition into a hybrid model once students are allowed to return to a face to face setting.

As we transitioned to the fall, the District developed a set of common expectations for all teachers and staff to ensure learning continuity by providing training and support regarding the practices necessary to effectively transition between distance learning and face to face instruction. Included in these expectations were the tools and practices that were selected to be utilized in all classrooms to support students during distance learning. These practices and tools serve as a foundation to support remote learning and ensure instructional continuity, which allows for the transition between distance learning and face-to-face instruction when the time comes. These practices along with the District’s efforts in addressing Wi-Fi access for all students will be addressed in our learning continuity plan.

Additionally, the District has identified the social and emotional health of students as of paramount importance during this time. This has resulted in the development of a comprehensive approach to support students’ mental health needs. This has included the development of specific lessons and the identifications of numerous services to support our students.

Based on preliminary data, the District was able to meet the goal of maintaining a graduation rate between 92%-94%. Overall the 2020-2021 graduate cohort decreased by -1.56%. The District had significant increases in the graduation rate for our Special Education (+4.86%) students and our Hispanic (+2.81%) students. The District has implemented a new student tracking process each week to support ongoing follow-up with students that are in danger of being counted as a dropout. This process is followed by each school site on a weekly basis.

In the area of A-G completion, the completion rate increased by 1 percentage point. The District A-G completion rate was 40% for the comprehensive highs in the District.

The District increased the number of students taking Dual Enrollment courses in the 2020-2021 school year. Additional courses were provided at school sites as more teachers became qualified to teach Dual Enrollment courses. Of the 597 students, 87.1% of students received college credit. This number does not include students enrolled in concurrent courses on our own campuses and at the college.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 year, the governing board and management used the following criteria at adoption:

1. District enrollment of 9,864 and the Charter School's enrollment of 1,050 were projected to be 10,914 in total. This represented a flat enrollment District-wide. Overall District Average Daily Attendance (ADA) including charters was projected to be 10,174.72. This represents an increase of 51.11 ADA.
2. Lottery funding for 2021-2022 was projected to be \$199 per prior-year annual ADA. This per pupil rate reflects \$150 per pupil for unrestricted lottery revenues and \$49 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at \$12,355 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 5.07% and is a 5.07% increase to the 2020-2021 LCFF entitlement which includes the 2020-2021 unfunded 2.31% COLA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Perris Union High School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 196,635,526
Receivables	16,766,578
Prepaid expense	6,346
Stores inventories	93,575
Capital assets not depreciated	210,388,645
Capital assets, net of accumulated depreciation	281,233,265
Total assets	705,123,935
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	35,851,564
Liabilities	
Accounts payable	19,300,668
Interest payable	3,539,421
Unearned revenue	3,634,582
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	11,782,632
Long-term liabilities other than OPEB and pensions due in more than one year	308,394,308
Net other postemployment benefits liability (OPEB)	744,333
Aggregate net pension liability	143,695,418
Total liabilities	491,091,362
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	4,865,193
Net Position	
Net investment in capital assets	254,507,788
Restricted for	
Debt service	26,977,221
Capital projects	37,254,605
Educational programs	8,145,310
Other restrictions	11,571,044
Unrestricted	(93,437,024)
Total net position	\$ 245,018,944

Perris Union High School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 98,298,235	\$ 16,800	\$ 24,864,658	\$ 61,885,959	\$ (11,530,818)
Instruction-related activities					
Supervision of instruction	5,009,313	-	2,992,569	-	(2,016,744)
Instructional library, media, and technology	1,308,970	-	27,694	-	(1,281,276)
School site administration	11,236,169	513	975,647	-	(10,260,009)
Pupil services					
Home-to-school transportation	3,477,618	-	5,284	-	(3,472,334)
Food services	3,881,073	4,041	4,455,646	-	578,614
All other pupil services	11,479,005	-	3,526,856	-	(7,952,149)
Administration					
Data processing	2,336,534	-	519,035	-	(1,817,499)
All other administration	7,230,758	101,090	1,921,062	-	(5,208,606)
Plant services	12,801,539	13,758	4,044,350	-	(8,743,431)
Ancillary services	2,417,730	-	545,563	-	(1,872,167)
Community services	3,892	-	3,892	-	-
Interest on long-term liabilities	11,948,911	-	-	-	(11,948,911)
Other outgo	2,167,341	4,162,746	2,631,785	-	4,627,190
Total governmental activities	173,597,088	4,298,948	46,514,041	61,885,959	(60,898,140)
General Revenues and Subventions					
Property taxes, levied for general purposes					36,079,070
Property taxes, levied for debt service					17,872,921
Taxes levied for other specific purposes					957,184
Federal and State aid not restricted to specific purposes					86,578,966
Interest and investment earnings					191,716
Miscellaneous					5,435,184
Total general revenues					147,115,041
Change in Net Position					86,216,901
Net Position - Beginning, as restated					158,802,043
Net Position - Ending					\$ 245,018,944

Perris Union High School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 39,456,680	\$ 65,334,645	\$ 40,274,660	\$ 30,516,575	\$ 21,052,966	\$ 196,635,526
Receivables	14,291,125	52,076	36,236	-	2,387,141	16,766,578
Due from other funds	652,072	198,617	-	-	521,145	1,371,834
Prepaid expenditures	5,388	-	-	-	958	6,346
Stores inventories	-	-	-	-	93,575	93,575
Total assets	<u>\$ 54,405,265</u>	<u>\$ 65,585,338</u>	<u>\$ 40,310,896</u>	<u>\$ 30,516,575</u>	<u>\$ 24,055,785</u>	<u>\$ 214,873,859</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 4,710,346	\$ 5,588,446	\$ 8,179,819	\$ -	\$ 822,057	\$ 19,300,668
Due to other funds	521,145	-	-	-	850,689	1,371,834
Unearned revenue	3,462,648	-	-	-	171,934	3,634,582
Total liabilities	<u>8,694,139</u>	<u>5,588,446</u>	<u>8,179,819</u>	<u>-</u>	<u>1,844,680</u>	<u>24,307,084</u>
Fund Balances						
Nonspendable	30,388	-	-	-	40,129	70,517
Restricted	8,145,310	59,996,892	32,131,077	30,516,575	22,170,976	152,960,830
Assigned	59,153	-	-	-	-	59,153
Unassigned	37,476,275	-	-	-	-	37,476,275
Total fund balances	<u>45,711,126</u>	<u>59,996,892</u>	<u>32,131,077</u>	<u>30,516,575</u>	<u>22,211,105</u>	<u>190,566,775</u>
Total liabilities and fund balances	<u>\$ 54,405,265</u>	<u>\$ 65,585,338</u>	<u>\$ 40,310,896</u>	<u>\$ 30,516,575</u>	<u>\$ 24,055,785</u>	<u>\$ 214,873,859</u>

Perris Union High School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds		\$ 190,566,775
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 623,385,039	
Accumulated depreciation is	<u>(131,763,129)</u>	
Net capital assets		491,621,910
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(3,539,421)
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to net pension liability.</p>		
		35,851,564
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to net pension liability.</p>		
		(4,865,193)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(143,695,418)
<p>The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(744,333)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of</p>		
General obligation bonds	(237,603,351)	
Certificates of participation	(40,095,000)	
Unamortized premium on general obligation bonds and certificates of participation	(23,920,632)	
Qualified school construction bonds	(968,368)	
Choice 2000 settlement agreement	(117,500)	
Compensated absences	(858,939)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(16,613,150)</u>	
Total long-term liabilities		<u>(320,176,940)</u>
Total net position - governmental activities		<u><u>\$ 245,018,944</u></u>

Perris Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula	\$ 107,583,250	\$ -	\$ -	\$ -	\$ 11,854,285	\$ 119,437,535
Federal sources	18,502,227	-	-	-	6,109,997	24,612,224
Other State sources	14,961,733	-	61,780,018	143,238	2,100,000	78,984,989
Other local sources	8,223,446	431,268	113,994	17,895,899	8,759,045	35,423,652
Total revenues	<u>149,270,656</u>	<u>431,268</u>	<u>61,894,012</u>	<u>18,039,137</u>	<u>28,823,327</u>	<u>258,458,400</u>
Expenditures						
Current						
Instruction	74,680,441	-	-	-	6,944,906	81,625,347
Instruction-related activities						
Supervision of instruction	3,281,960	-	-	-	1,300,834	4,582,794
Instructional library, media, and technology	1,138,317	-	-	-	68,489	1,206,806
School site administration	7,561,900	-	-	-	1,685,825	9,247,725
Pupil services						
Home-to-school transportation	3,159,228	-	-	-	296,381	3,455,609
Food services	1,519	-	-	-	3,727,953	3,729,472
All other pupil services	10,133,376	-	-	-	293,529	10,426,905
Administration						
Data processing	2,028,851	-	-	-	98,801	2,127,652
All other administration	5,657,770	-	-	-	1,196,643	6,854,413
Plant services	12,167,294	-	-	-	857,787	13,025,081
Ancillary services	1,802,014	-	-	-	494,372	2,296,386
Community services	3,892	-	-	-	-	3,892
Other outgo	1,037,796	-	-	-	1,129,545	2,167,341
Facility acquisition and construction	283,759	64,918,437	34,004,583	-	3,386,912	102,593,691
Debt service						
Principal	178,497	-	-	9,237,521	223,940	9,639,958
Interest and other	4,462	-	-	10,920,975	1,778,320	12,703,757
Total expenditures	<u>123,121,076</u>	<u>64,918,437</u>	<u>34,004,583</u>	<u>20,158,496</u>	<u>23,484,237</u>	<u>265,686,829</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,149,580</u>	<u>(64,487,169)</u>	<u>27,889,429</u>	<u>(2,119,359)</u>	<u>5,339,090</u>	<u>(7,228,429)</u>

See Notes to Financial Statements

Perris Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 3,677,868	\$ 3,677,868
Transfers out	(41,227)	-	-	-	(3,636,641)	(3,677,868)
Net Financing Sources (Uses)	(41,227)	-	-	-	41,227	-
Net Change in Fund Balances	26,108,353	(64,487,169)	27,889,429	(2,119,359)	5,380,317	(7,228,429)
Fund Balance - Beginning, as restated	19,602,773	124,484,061	4,241,648	32,635,934	16,830,788	197,795,204
Fund Balance - Ending	\$ 45,711,126	\$ 59,996,892	\$ 32,131,077	\$ 30,516,575	\$ 22,211,105	\$ 190,566,775

Perris Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ (7,228,429)

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

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

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

Capital outlays	\$ 103,587,216
Depreciation expense	<u>(9,973,249)</u>

Net expense adjustment	93,613,967
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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).

This amount is the difference between vacation earned and used. (91,264)

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

(10,490,318)

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

(99,359)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	1,093,200
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Perris Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 10,390,000
Certificates of participation	100,000
Qualified school construction bonds	123,940
Capital leases	178,497
Choice 2000 settlement agreement	117,500

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(1,490,833)

Change in net position of governmental activities

\$ 86,216,901

Perris Union High School District
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 5,907,273</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 5,907,273</u>

Perris Union High School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Funds
Additions	
Special tax revenues	\$ 6,028,869
Interest	1,366
Total additions	6,030,235
Deductions	
Debt service payments	2,945,500
Administrative expense	31,030
Other expenditures	2,516,373
Total deductions	5,492,903
Net increase in fiduciary net position	537,332
Net Position - Beginning, as restated	5,369,941
Net Position - Ending	\$ 5,907,273

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has 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, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

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

Other Related Entities

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, the fund functions effectively as extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$51,278.

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds.

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items. The deferred amounts related to pension relate to contributions subsequent to measurement date, differences between contributions and the District's proportionate share of contributions, differences between expected and actual earnings on investments, differences between expected and actual experience, and changes of assumptions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items. The deferred amounts related to pension relate to differences between contributions made and the District's proportionate share of contributions and differences between expected and actual experience.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2021 , fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$83,948,180 of net position restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 17.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 196,635,526
Fiduciary funds	<u>5,907,273</u>
Total deposits and investments	<u><u>\$ 202,542,799</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 782,313
Cash with fiscal agent	11,383,613
Cash in revolving	27,890
Investments	<u>190,348,983</u>
Total deposits and investments	<u><u>\$ 202,542,799</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool. The District maintains an investment of \$190,348,983 with the Riverside County Investment Pool that has an average weighted maturity of 420 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Riverside County Treasury Investment Pool has been rate Aaa-bf by Moody's Investor Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District’s bank balance of \$643,588 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 4,612,087	\$ -	\$ -	\$ 931,820	\$ 5,543,907
State Government					
LCFF apportionment	6,256,703	-	-	1,256,144	7,512,847
Categorical aid	585,685	-	-	117,849	703,534
Lottery	630,754	-	-	69,245	699,999
Local Government					
Interest	25,648	52,076	36,236	8,749	122,709
Other local sources	2,180,248	-	-	3,334	2,183,582
Total	\$ 14,291,125	\$ 52,076	\$ 36,236	\$ 2,387,141	\$ 16,766,578

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in progress	96,796,729	102,194,379	(147,475)	198,843,633
Total capital assets not being depreciated	108,341,741	102,194,379	(147,475)	210,388,645
Capital assets being depreciated				
Land improvements	34,920,519	431,418	-	35,351,937
Buildings and improvements	362,655,446	310,949	-	362,966,395
Furniture and equipment	13,880,117	797,945	-	14,678,062
Total capital assets being depreciated	411,456,082	1,540,312	-	412,996,394
Total capital assets	519,797,823	103,734,691	(147,475)	623,385,039
Accumulated depreciation				
Land improvements	(15,304,331)	(1,308,550)	-	(16,612,881)
Buildings and improvements	(95,415,025)	(8,061,864)	-	(103,476,889)
Furniture and equipment	(11,070,524)	(602,835)	-	(11,673,359)
Total accumulated depreciation	(121,789,880)	(9,973,249)	-	(131,763,129)
Governmental activities capital assets, net	\$ 398,007,943	\$ 93,761,442	\$ (147,475)	\$ 491,621,910

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

Governmental Activities	
Instruction	\$ 8,674,133
Supervision of instruction	1,121,393
Data processing	87,565
All other administration	8,976
Plant services	<u>81,182</u>
Total depreciation expenses governmental activities	<u><u>\$ 9,973,249</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	Due From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 652,072	\$ 652,072
Building Fund	-	198,617	198,617
Non-Major Governmental Funds	<u>521,145</u>	<u>-</u>	<u>521,145</u>
Total	<u><u>\$ 521,145</u></u>	<u><u>\$ 850,689</u></u>	<u><u>\$ 1,371,834</u></u>

The balance of \$521,145 is due to the Charter School Non-Major Governmental Fund from the General Fund for in-lieu property taxes.

A balance of \$641,864 is due to General Fund from the Charter School Non-Major Governmental Fund for indirect costs, postage, administrative fees, and proportionate share of special education encroachment.

The balance of \$198,617 is due to the Building Fund from the Charter School Non-Major Governmental Fund for reimbursement of construction costs related to restroom renovations.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Adult Education Non-Major Governmental Fund for contribution of salary expenditures.	\$ 41,227
The Debt Service Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for certificates of participation debt service payments.	1,819,028
The Capital Projects Non-Major Governmental Fund for Blended Component Units transferred to the Debt Service Non-Major Governmental Fund for certificates of participation debt service payment.	<u>1,817,613</u>
Total	<u>\$ 3,677,868</u>

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

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
LCFF apportionment	\$ 2,651,724	\$ -	\$ -	\$ 332,087	\$ 2,983,811
Salaries and benefits	873,334	-	-	102,147	975,481
Supplies	103,878	362,649	-	66,415	532,942
Services	659,699	111,132	-	128,538	899,369
Capital outlay	58,272	5,114,665	8,179,819	192,870	13,545,626
Other vendor payables	363,439	-	-	-	363,439
Total	<u>\$ 4,710,346</u>	<u>\$ 5,588,446</u>	<u>\$ 8,179,819</u>	<u>\$ 822,057</u>	<u>\$ 19,300,668</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 870,557	\$ -	\$ 870,557
State categorical aid	2,592,091	130,288	2,722,379
Other local	-	41,646	41,646
	<u>\$ 3,462,648</u>	<u>\$ 171,934</u>	<u>\$ 3,634,582</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 262,981,883	\$ 1,624,618	\$ (10,390,000)	\$ 254,216,501	\$ 11,395,000
Certificates of participation	40,195,000	-	(100,000)	40,095,000	145,000
Qualified school construction bonds	1,092,308	-	(123,940)	968,368	125,132
Unamortized debt premiums	25,013,832	-	(1,093,200)	23,920,632	-
Capital leases	178,497	-	(178,497)	-	-
Compensated absences	767,675	91,264	-	858,939	-
Choice 2000 settlement agreement	235,000	-	(117,500)	117,500	117,500
	<u>\$ 330,464,195</u>	<u>\$ 1,715,882</u>	<u>\$ (12,003,137)</u>	<u>\$ 320,176,940</u>	<u>\$ 11,782,632</u>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund. Payments on the certificates of participation are made from the Debt Service Fund for Blended Component Units. Payments for the qualified school construction bonds are made from the Charter School Fund. Payments for the capital leases are made from the General Fund. The compensated absences will be paid by the General Fund, Charter School Fund, Adult Education Fund, and Cafeteria Fund. Payments for the Choice 2000 settlement agreement are made from the Charter School Fund and supplemented by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 5,171,108	\$ 321,619	\$ (955,000)	\$ 4,537,727
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	7,403,252	393,387	(720,000)	7,076,639
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	11,605,333	604,947	-	12,210,280
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	2,371,417	83,156	(770,000)	1,684,573
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	30,225,000	-	(140,000)	30,085,000
11/6/14	9/1/24	2.00 - 4.00%	26,510,000	20,195,000	-	(1,995,000)	18,200,000
10/20/15	9/1/45	3.00 - 5.00%	40,413,023	38,010,773	221,509	(1,295,000)	36,937,282
7/25/19	9/1/48	3.00 - 5.00%	148,000,000	148,000,000	-	(4,515,000)	143,485,000
				<u>\$ 262,981,883</u>	<u>\$ 1,624,618</u>	<u>\$ (10,390,000)</u>	<u>\$ 254,216,501</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2022	\$ 510,119	\$ 1,194,422	\$ 1,704,541	\$ 50,459	\$ 1,755,000
2023	678,189	1,855,039	2,533,228	311,772	2,845,000
2024	492,852	1,166,339	1,659,191	275,809	1,935,000
2025	485,819	1,149,729	1,635,548	394,452	2,030,000
2026	506,569	1,140,508	1,647,077	482,923	2,130,000
2027-2031	6,516,779	8,977,855	15,494,634	7,145,366	22,640,000
2032-2036	2,206,736	639,776	2,846,512	3,803,488	6,650,000
2037-2039	1,611,288	489,482	2,100,770	769,230	2,870,000
Total	<u>\$ 13,008,351</u>	<u>\$ 16,613,150</u>	<u>\$ 29,621,501</u>	<u>\$ 13,233,499</u>	<u>\$ 42,855,000</u>

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 9,640,000	\$ 9,332,586	\$ 18,972,586
2023	6,650,000	8,925,519	15,575,519
2024	3,225,000	8,696,852	11,921,852
2025	3,720,000	8,522,269	12,242,269
2026	4,620,000	8,317,086	12,937,086
2027-2031	16,715,000	39,262,591	55,977,591
2032-2036	23,500,000	34,830,494	58,330,494
2037-2041	45,130,000	27,761,612	72,891,612
2042-2046	73,110,000	15,380,725	88,490,725
2047-2049	38,285,000	2,379,700	40,664,700
Total	\$ 224,595,000	\$ 163,409,434	\$ 388,004,434

Certificates of Participation

In April 2019, the Corporation issued certificates of participation in the amount of \$41,160,000 with interest rates ranging from 3.00 to 5.00%. As of June 30, 2021, the principal balance outstanding was \$40,095,000.

The certificates mature through 2051 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 145,000	\$ 1,714,800	\$ 1,859,800
2023	185,000	1,708,200	1,893,200
2024	230,000	1,699,900	1,929,900
2025	275,000	1,689,800	1,964,800
2026	330,000	1,676,050	2,006,050
2027-2031	2,550,000	8,053,250	10,603,250
2032-2036	3,310,000	7,314,000	10,624,000
2037-2041	7,545,000	6,351,400	13,896,400
2042-2046	13,080,000	4,209,925	17,289,925
2047-2051	12,445,000	1,161,375	13,606,375
Total	\$ 40,095,000	\$ 35,578,700	\$ 75,673,700

Qualified School Construction Bonds

In September 2011, the Corporation issued qualified school construction bonds in the amount of \$2,100,000 with interest rate of 5.57%. As of June 30, 2021, the principal balance outstanding was \$968,368.

The bonds mature through 2029 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 125,132	\$ 52,200	\$ 177,332
2023	126,337	45,213	171,550
2024	127,552	38,159	165,711
2025	128,780	31,038	159,818
2026	130,019	23,847	153,866
2027-2029	330,548	27,705	358,253
Total	<u>\$ 968,368</u>	<u>\$ 218,162</u>	<u>\$ 1,186,530</u>

Capital Leases

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

	Equipment Lease
Balance, July 1, 2020	\$ 182,960
Additions	-
Payments	(182,960)
Balance, July 1, 2021	<u>\$ -</u>

Leased equipment under capital leases in capital assets at June 30, 2021, include the following:

Equipment	\$ 850,000
Less accumulated depreciation	(850,000)
Total	<u>\$ -</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$858,939.

Choice 2000 Settlement Agreement

On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-2010 for the 2005-2006 fiscal year shall be \$122,200, which sum represents approximately 10% of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2021, the remaining total future payment due was \$15,275. The repayment schedule is summarized as follows:

Year Ending June 30,	Settlement Payment
2022	\$ <u>15,275</u>

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, 10% of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of \$817,799. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2021, the remaining future payment due was \$102,225, the repayment schedule is summarized as follows:

Year Ending June 30,	Settlement Payment
2022	\$ <u>102,225</u>

Note 9 - Net Other Postemployment Benefits (OPEB)

For the fiscal year ended June 30, 2021, the District reported net OPEB liability and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	\$ <u>744,333</u>	\$ <u>99,359</u>

The details of the plan are as follows:

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$744,333 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.1756% and 0.1732%, respectively, resulting in a net increase in proportionate share of 0.0024%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$99,359.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020 using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 823,067
Current discount rate (2.21%)	744,333
1% increase (3.21%)	677,336

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 674,912
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	744,333
1% increase (5.50% Part A and 6.40% Part B)	824,249

Note 10 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts and the Perris Union High School District Financing Authority, 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 \$41,960,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 2,890	\$ 27,890
Stores inventories	-	-	-	-	36,281	36,281
Prepaid expenditures	5,388	-	-	-	958	6,346
Total nonspendable	<u>30,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,129</u>	<u>70,517</u>
Restricted						
Legally restricted programs	8,145,310	-	-	-	7,157,083	15,302,393
Food service	-	-	-	-	3,616,000	3,616,000
Capital projects	-	59,996,892	32,131,077	-	10,599,865	102,727,834
Debt services	-	-	-	30,516,575	67	30,516,642
Student activities	-	-	-	-	797,961	797,961
Total restricted	<u>8,145,310</u>	<u>59,996,892</u>	<u>32,131,077</u>	<u>30,516,575</u>	<u>22,170,976</u>	<u>152,960,830</u>
Assigned						
GASB 31 fair market value	7,875	-	-	-	-	7,875
Deferred maintenance	51,278	-	-	-	-	51,278
Total assigned	<u>59,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,153</u>
Unassigned						
Reserve for economic uncertainties	3,686,847	-	-	-	-	3,686,847
Remaining unassigned	33,789,428	-	-	-	-	33,789,428
Total unassigned	<u>37,476,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,476,275</u>
Total	<u>\$ 45,711,126</u>	<u>\$ 59,996,892</u>	<u>\$ 32,131,077</u>	<u>\$ 30,516,575</u>	<u>\$ 22,211,105</u>	<u>\$190,566,775</u>

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$100,000,000 and deductibles ranging from \$500 to \$5,000. The District also purchases coverage for general liability claims with limits up to \$1,000,000 per occurrence with excess liability coverage up to \$25,000,000 per occurrence and \$60,000,000 in the aggregate, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2021, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

Workers' Compensation

For fiscal year 2021, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

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

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 97,684,114	\$ 27,890,899	\$ 4,206,231	\$ 14,471,473
CalPERS	46,011,304	7,960,665	658,962	9,347,647
Total	<u>\$ 143,695,418</u>	<u>\$ 35,851,564</u>	<u>\$ 4,865,193</u>	<u>\$ 23,819,120</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$8,875,570.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 97,684,114
State's proportionate share of the net pension liability	<u>50,356,172</u>
Total	<u><u>\$ 148,040,286</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.1008% and 0.0979%, respectively, resulting in a net increase in the proportionate share of 0.0029%.

For the year ended June 30, 2021, the District recognized pension expense of \$14,471,473. In addition, the District recognized pension expense and revenue of \$7,054,406 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,875,570	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,996,963	1,451,371
Differences between projected and actual earnings on pension plan investments	2,320,413	-
Differences between expected and actual experience in the measurement of the total pension liability	172,368	2,754,860
Changes of assumptions	<u>9,525,585</u>	<u>-</u>
Total	<u><u>\$ 27,890,899</u></u>	<u><u>\$ 4,206,231</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,415,901)
2023	796,608
2024	1,577,349
2025	1,368,357
Total	\$ 2,326,413

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 3,850,885
2023	3,931,736
2024	3,166,657
2025	714,150
2026	526,146
Thereafter	299,111
Total	\$ 12,488,685

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 147,587,090
Current discount rate (7.10%)	97,684,114
1% increase (8.10%)	56,482,181

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$4,453,232.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$46,011,304. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.1500% and 0.1481%, respectively, resulting in a net increase in the proportionate share of 0.0019%.

For the year ended June 30, 2021, the District recognized pension expense of \$9,347,647. At June 30, 2021, 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	\$ 4,453,232	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	98,880	658,962
Differences between projected and actual earnings on pension plan investments	957,809	-
Differences between expected and actual experience in the measurement of the total pension liability	2,282,019	-
Changes of assumptions	168,725	-
	\$ 7,960,665	\$ 658,962
Total		

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (358,432)
2023	319,708
2024	555,706
2025	440,827
Total	\$ 957,809

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,401,936
2023	487,100
2024	6,334
2025	(4,708)
Total	\$ 1,890,662

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 66,149,639
Current discount rate (7.15%)	46,011,304
1% increase (8.15%)	29,297,496

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,698,817 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization at various sites		
California Military Institute Gym Addition	\$ 1,754,267	December 2021
High School #4 (Liberty High School)	27,071,932	February 2022
Perris High School Completion	47,999,285	July 2023
Liberty High School Pool Project	5,237,166	February 2022
Paloma Valley High School Pool Project	11,084,696	July 2022
Heritage High School Pool Project	<u>10,587,881</u>	July 2022
 Total	 <u><u>\$ 103,735,227</u></u>	

Note 15 - Participation in Public Entity Risk Pools

The District is a member of the Riverside Schools Risk Management Authority (RSRMA), Riverside Employer/Employee Partnership (REEP), and the Riverside Schools' Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2021, the District made payments of \$1,967,400, \$10,254,297, and \$1,107,090 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

Note 16 - Subsequent Events

On August 18, 2021, the District issued \$78,005,000 in 2012 Election General Obligation Bonds, Series C with interest rates ranging from 2.13% to 4.00%. The bonds mature through September 1, 2045. Proceeds of the bonds will be used to finance school construction and improvements of District facilities.

On August 19, 2021, the District issued \$33,355,000 in 2021 General Obligation Refunding Bonds with interest rates ranging from 0.22% to 2.70%. The bonds mature through September 1, 2042. Proceeds of the bonds will be used to refund certain maturities of the District's 2012 Election General Obligation Bonds, Series A.

Note 17 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. Additionally, the District restated its custodial fund beginning net position that were previously reported as liabilities. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at June 30, 2020	\$ 16,063,384	\$ 197,027,800
Prior period adjustment - Implementation of GASB 84 ASB Fund Balance	767,404	767,404
Fund Balance Restated July 1, 2020	\$ 16,830,788	\$ 197,795,204

The restatement of net position is identified as follows:

Beginning Net Position Government-Wide as previously reported at June 30, 2020	\$ 158,034,639
ASB Fund Balance	767,404
Net Position Government Wide Restated at July 1, 2020	\$ 158,802,043
Beginning Net Position Fiduciary Funds as previously reported at June 30, 2020	\$ -
Custodial Fund Net Position	5,369,941
Net Position Fiduciary Funds Restated at July 1, 2020	\$ 5,369,941



Required Supplementary Information
June 30, 2021

Perris Union High School District

Perris Union High School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 98,626,507	\$ 108,375,783	\$ 107,583,250	\$ (792,533)
Federal sources	9,223,612	27,842,507	18,502,227	(9,340,280)
Other State sources	9,976,013	18,089,827	14,961,733	(3,128,094)
Other local sources	6,166,371	7,234,058	8,223,446	989,388
Total revenues ¹	<u>123,992,503</u>	<u>161,542,175</u>	<u>149,270,656</u>	<u>(12,271,519)</u>
Expenditures				
Current				
Certificated salaries	53,528,837	52,144,835	52,175,366	(30,531)
Classified salaries	20,875,978	18,574,791	18,646,853	(72,062)
Employee benefits	33,978,116	31,613,391	31,380,167	233,224
Books and supplies	4,585,284	5,501,783	4,705,014	796,769
Services and operating expenditures	16,010,762	17,562,370	13,911,777	3,650,593
Other outgo	3,604,121	842,963	1,109,328	(266,365)
Capital outlay	65,937	377,647	1,009,612	(631,965)
Debt service				
Debt service - principal	178,498	178,498	178,497	1
Debt service - interest and other	4,462	4,462	4,462	-
Total expenditures ¹	<u>132,831,995</u>	<u>126,800,740</u>	<u>123,121,076</u>	<u>3,679,664</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,839,492)</u>	<u>34,741,435</u>	<u>26,149,580</u>	<u>(8,591,855)</u>
Other Financing Uses				
Transfers out	<u>(41,868)</u>	<u>(41,346)</u>	<u>(41,227)</u>	<u>119</u>
Net Change in Fund Balances	(8,881,360)	34,700,089	26,108,353	(8,591,736)
Fund Balance - Beginning	<u>19,602,773</u>	<u>19,602,773</u>	<u>19,602,773</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 10,721,413</u>	<u>\$ 54,302,862</u>	<u>\$ 45,711,126</u>	<u>\$ (8,591,736)</u>

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Perris Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1756%	0.1732%	0.1685%	0.1667%
Proportionate share of the net OPEB liability	\$ 744,333	\$ 644,974	\$ 644,996	\$ 701,451
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Perris Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.1008%	0.0979%	0.0939%	0.0921%	0.0965%	0.0876%	0.0866%
Proportionate share of the net pension liability	\$ 97,684,114	\$ 88,423,994	\$ 86,283,852	\$ 85,169,359	\$ 78,071,403	\$ 59,003,719	\$ 50,593,383
State's proportionate share of the net pension liability	50,356,172	48,241,192	49,401,541	50,385,473	44,444,657	31,206,463	30,550,469
Total	<u>\$ 148,040,286</u>	<u>\$ 136,665,186</u>	<u>\$ 135,685,393</u>	<u>\$ 135,554,832</u>	<u>\$ 122,516,060</u>	<u>\$ 90,210,182</u>	<u>\$ 81,143,852</u>
Covered payroll	<u>\$ 55,221,035</u>	<u>\$ 53,500,878</u>	<u>\$ 51,410,256</u>	<u>\$ 49,391,614</u>	<u>\$ 47,760,848</u>	<u>\$ 41,835,563</u>	<u>38,561,927</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	176.90%	165.28%	167.83%	172.44%	163.46%	141.04%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.1500%	0.1481%	0.1477%	0.1467%	0.1437%	0.1352%	0.1215%
Proportionate share of the net pension liability	\$ 46,011,304	\$ 43,167,079	\$ 39,391,952	\$ 35,010,378	\$ 28,372,895	\$ 19,933,763	\$ 13,793,298
Covered payroll	<u>\$ 21,635,977</u>	<u>\$ 20,569,289</u>	<u>\$ 19,508,570</u>	<u>\$ 18,690,870</u>	<u>\$ 17,435,199</u>	<u>\$ 16,125,333</u>	<u>12,754,553</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	212.66%	209.86%	201.92%	187.31%	162.73%	123.62%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Perris Union High School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 8,875,570	\$ 9,442,797	\$ 8,709,943	\$ 7,418,500	\$ 6,213,465	\$ 5,124,739	\$ 3,714,998
Less contributions in relation to the contractually required contribution	8,875,570	9,442,797	8,709,943	7,418,500	6,213,465	5,124,739	3,714,998
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 54,957,090	\$ 55,221,035	\$ 53,500,878	\$ 51,410,256	\$ 49,391,614	\$ 47,760,848	\$ 41,835,563
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	\$ 4,453,232	\$ 4,266,831	\$ 3,715,225	\$ 3,029,876	\$ 2,595,788	\$ 2,065,548	\$ 1,898,113
Less contributions in relation to the contractually required contribution	4,453,232	4,266,831	3,715,225	3,029,876	2,595,788	2,065,548	1,898,113
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 21,513,198	\$ 21,635,977	\$ 20,569,289	\$ 19,508,570	\$ 18,690,870	\$ 17,435,199	\$ 16,125,333
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

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

- *Changes in Benefits Terms* – There were no changes in the benefits terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2021

Perris Union High School District

Perris Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 1,938,311
Special Education Grants to States - Mental Health Allocation Plan	84.027A	15197	303,231
Total Special Education Cluster			<u>2,241,542</u>
Title I Grants to Local Educational Agencies - Basic Grants Low-Income Neglected	84.010	14329	2,502,749
Title I Grants to Local Educational Agencies - School Improvement	84.010	15438	28,623
Subtotal			<u>2,531,372</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,824,955
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,280,326
Subtotal			<u>3,105,281</u>
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	348,709
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	216,765
Student Support and Academic Enrichment Program	84.424	15396	239,385
Twenty-First Century Community Learning Centers	84.287	14349	563,386
Education for Homeless Children and Youth	84.196	14332	3,585
Career and Technical Education - Basic Grants to States	84.048	14894	241,195
Total U.S. Department of Education			<u>9,491,220</u>
U.S. Department of Labor			
Passed Through California Department of Education (CDE)			
Workforce Innovation and Opportunity Act Cluster			
Workforce Innovation and Opportunity Act Youth Activities	17.259	10055	167,415
U.S. Department of Treasury			
Passed Through California Department of Education (CDE)			
COVID-19 Coronavirus Relief Fund	21.019	25516	9,815,245
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	40,644
National School Lunch Program - Summer Food Program	10.559	13004	3,910,433
National School Lunch Program - Commodity Supplemental Food	10.555	13396	368,444
Total Child Nutrition Cluster			<u>4,319,521</u>
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	326,860
Total Federal Financial Assistance			<u>\$24,120,261</u>

[1] Pass-Through Entity Identifying Number not available

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Jose Luis Araux	President	2022
Anthony T. Stafford	Vice President	2024
Dr. Randall T. Freeman	Clerk	2022
Elizabeth Vallejo	Member	2024
David G. Nelissen	Member	2024

ADMINISTRATION

NAME	TITLE
Grant Bennett	Superintendent
Candace Reines	Deputy Superintendent of Business Services
Kirk Skorpanich	Assistant Superintendent of Human Resources
Robert Brough	Assistant Superintendent of Educational Services
Joseph Williams	Executive Director of Technology
Alisha Fogerty	Director of Fiscal Services

Perris Union High School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 7 - 8					
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

California Military Institute

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 5 - 8					
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Perris Union High School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Perris Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 137,613,371	\$ 148,951,961	\$ 133,076,083	\$ 129,725,346
Other sources	-	-	-	163,532
Total Revenues and Other Sources	<u>137,613,371</u>	<u>148,951,961</u>	<u>133,076,083</u>	<u>129,888,878</u>
Expenditures	153,123,995	121,815,863	128,050,493	126,822,175
Other uses and transfers out	39,840	1,079,023	806,751	42,563
Total Expenditures and Other Uses	<u>153,163,835</u>	<u>122,894,886</u>	<u>128,857,244</u>	<u>126,864,738</u>
Increase in Fund Balance	<u>(15,550,464)</u>	<u>26,057,075</u>	<u>4,218,839</u>	<u>3,024,140</u>
Ending Fund Balance	<u>\$ 30,109,384</u>	<u>\$ 45,659,848</u>	<u>\$ 19,602,773</u>	<u>\$ 15,383,934</u>
Available Reserves ^{2, 5}	<u>\$ 4,594,916</u>	<u>\$ 37,476,275</u>	<u>\$ 16,427,866</u>	<u>\$ 12,074,427</u>
Available Reserves as a Percentage of Total Outgo ⁵	<u>3.00%</u>	<u>30.49%</u>	<u>12.75%</u>	<u>9.52%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 464,616,691</u>	<u>\$ 462,700,242</u>	<u>\$ 297,374,061</u>
K-12 Average Daily Attendance at P-2 ⁴	<u>9,176</u>	<u>9,122</u>	<u>9,122</u>	<u>9,161</u>

The General Fund balance has increased by \$30,275,914 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$15,550,464 (34.1%). For a district 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 surpluses in all of the past three years and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$167,242,630 over the past two years.

Average daily attendance has decreased by 39 over the past two years. Growth of 54 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

⁴ Excludes Charter School ADA

⁵ On behalf payments of \$4,518,798 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

Perris Union High School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
California Military Institute	0529	Yes

Perris Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Charter School Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 740,667	\$ 6,470,168	\$ 56,698	\$ 2,974,761	\$ 5,334,268	\$ 5,476,337	\$ 64	\$ 3	\$ 21,052,966
Receivables	-	1,490,556	167,416	725,161	4,008	-	-	-	2,387,141
Due from other funds	-	521,145	-	-	-	-	-	-	521,145
Prepaid expenditures	-	958	-	-	-	-	-	-	958
Stores inventories	57,294	-	-	36,281	-	-	-	-	93,575
Total assets	\$ 797,961	\$ 8,482,827	\$ 224,114	\$ 3,736,203	\$ 5,338,276	\$ 5,476,337	\$ 64	\$ 3	\$ 24,055,785
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ 539,074	\$ 30,776	\$ 37,459	\$ 214,748	\$ -	\$ -	\$ -	\$ 822,057
Due to other funds	-	840,485	8,277	1,927	-	-	-	-	850,689
Unearned revenue	-	130,288	-	41,646	-	-	-	-	171,934
Total liabilities	-	1,509,847	39,053	81,032	214,748	-	-	-	1,844,680
Fund Balances									
Nonspendable	-	958	-	39,171	-	-	-	-	40,129
Restricted	797,961	6,972,022	185,061	3,616,000	5,123,528	5,476,337	64	3	22,170,976
Total fund balances	797,961	6,972,980	185,061	3,655,171	5,123,528	5,476,337	64	3	22,211,105
Total liabilities and fund balances	\$ 797,961	\$ 8,482,827	\$ 224,114	\$ 3,736,203	\$ 5,338,276	\$ 5,476,337	\$ 64	\$ 3	\$ 24,055,785

Perris Union High School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Charter School Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	\$ -	\$11,854,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,854,285
Federal sources	-	1,131,098	167,415	4,811,484	-	-	-	-	6,109,997
Other State sources	-	1,557,339	213,523	329,138	-	-	-	-	2,100,000
Other local sources	373,008	59,195	20,733	29,857	4,178,443	4,096,687	1,118	4	8,759,045
Total revenues	373,008	14,601,917	401,671	5,170,479	4,178,443	4,096,687	1,118	4	28,823,327
Expenditures									
Current									
Instruction	-	6,679,579	265,327	-	-	-	-	-	6,944,906
Instruction-related activities									
Supervision of instruction	-	1,300,834	-	-	-	-	-	-	1,300,834
Instructional library, media, and technology	-	68,489	-	-	-	-	-	-	68,489
School site administration	-	1,638,000	47,825	-	-	-	-	-	1,685,825
Pupil services									
Home-to-school transportation	-	296,381	-	-	-	-	-	-	296,381
Food services	-	-	-	3,727,953	-	-	-	-	3,727,953
All other pupil services	-	293,529	-	-	-	-	-	-	293,529
Administration									
Data processing	-	98,801	-	-	-	-	-	-	98,801
All other administration	-	483,522	12,495	166,982	533,644	-	-	-	1,196,643
Plant services	-	848,980	8,807	-	-	-	-	-	857,787
Ancillary services	342,451	151,921	-	-	-	-	-	-	494,372
Other outgo	-	-	-	-	-	1,129,545	-	-	1,129,545
Facility acquisition and construction	-	328,006	-	-	3,058,906	-	-	-	3,386,912
Debt service									
Principal	-	123,940	-	-	-	-	-	100,000	223,940
Interest and other	-	59,120	-	-	-	-	-	1,719,200	1,778,320
Total expenditures	342,451	12,371,102	334,454	3,894,935	3,592,550	1,129,545	-	1,819,200	23,484,237
Excess (Deficiency) of Revenues Over Expenditures	30,557	2,230,815	67,217	1,275,544	585,893	2,967,142	1,118	(1,819,196)	5,339,090

Perris Union High School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Charter School Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Other Financing Sources (Uses)									
Transfers in	\$ -	\$ -	\$ 41,227	\$ -	\$ -	\$ -	\$ 1,817,613	\$ 1,819,028	\$ 3,677,868
Transfers out	-	-	-	-	-	(1,817,613)	(1,819,028)	-	(3,636,641)
Net Financing Sources (Uses)	-	-	41,227	-	-	(1,817,613)	(1,415)	1,819,028	41,227
Net Change in Fund Balances	30,557	2,230,815	108,444	1,275,544	585,893	1,149,529	(297)	(168)	5,380,317
Fund Balance - Beginning, as restated	767,404	4,742,165	76,617	2,379,627	4,537,635	4,326,808	361	171	16,830,788
Fund Balance - Ending	<u>\$ 797,961</u>	<u>\$ 6,972,980</u>	<u>\$ 185,061</u>	<u>\$ 3,655,171</u>	<u>\$ 5,123,528</u>	<u>\$ 5,476,337</u>	<u>\$ 64</u>	<u>\$ 3</u>	<u>\$ 22,211,105</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had no food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of COVID-19 CARES Act Supplemental Meal Reimbursement funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the Cafeteria Non-Major Governmental Fund.

	<u>Federal Financial Assistance Listing/Federal CFDA Number</u>	<u>Amount</u>
Description		
Total Federal Revenues reported on the financial statements		\$ 24,612,224
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	<u>(491,963)</u>
Total schedule of expenditures of federal awards		<u>\$ 24,120,261</u>

Local Education Agency Organization Structure

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201 and *Education Code* Section 47612.5 for Charter Schools.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

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



Independent Auditor's Reports
June 30, 2021

Perris Union High School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Perris Union High School District
Perris, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 4, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

We noted certain matters that we reported to management of the District in a separate letter dated November 4, 2021.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
November 4, 2021



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Perris Union High School District
Perris, California

Report on Compliance for Each Major Federal Program

We have audited Perris Union High School District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2021. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the District’s 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, 2021.

Report on Internal Control over Compliance

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

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

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

Rancho Cucamonga, California
November 4, 2021



Independent Auditor's Report on State Compliance

To the Board of Directors
Perris Union High School District
Perris, California

Report on State Compliance

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2020-2021 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 compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District’s compliance with laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuation.

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

The District does not provide classes for grades K-3; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

We did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Unmodified Opinion

In our opinion, the District complied with, in all material respects, the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
November 4, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Perris Union High School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19 Coronavirus Relief Fund	21.019
COVID-19 Education Stabilization Fund	84.425D
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
------------------------------------------------------------	------------

None reported.

None reported.

None reported.

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



Management
Perris Union High School District
Perris, California

In planning and performing our audit of the financial statements of Perris Union High School District (the District) for the year ended June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 4, 2021, on the government-wide financial statements of the District.

Associated Student Body (ASB) – Heritage High School

Observations

In reviewing the sites outstanding check listing for the June 2021 reconciliation, we noted that numerous checks were over 12 months old making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over 12 months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as “outstanding check written off-cleared”.

Associated Student Body (ASB) – Inventory

Observations

In reviewing the monthly reconciliation and financial statements, we noted that the inventory detail balances do not equal the inventory balance in the financial statements. The purpose of performing the monthly inventory reconciliation is to ensure that no errors have occurred in counting inventory and that the inventory balances and monthly activity is accurately reported.

Recommendation

The site should ensure that the reconciled details of assets of the student body equal the balances in the financial statements. If an unreconciled difference is found, it should be investigated to determine in what account the error has occurred. The account would then be adjusted appropriately.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
November 4, 2021