PERRIS UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

PERRIS UNION HIGH SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Perris Union High School District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2018, and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 69, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perris Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the Perris Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Perris Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perris Union School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 28, 2018

PERRIS UNION
HIGH SCHOOL DISTRICT
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Superintendent: Grant Bennett

Candace Reines
Deputy Superintendent
Business Services

Charles Newman, Ed.D.
Assistant Superintendent
Educational Services

Kirk Skorpanich
Assistant Superintendent
Human Resources

Joseph Williams
Executive Director
Technology

This section of Perris Union High School District's (the District) (2017-2018) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

> The *Governmental 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.

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.

During 2017-18 school year, the District has continued to focus on student engagement and course offerings to increase student attendance. The continued focus on Science, Technology, Engineering, Arts and Math (STEAM) has resulted in higher student test scores and graduation rates. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs. During the 2017-18 school year, construction was completed on the Perris High School Phase 2B and Agricultural Facility Phase 2 Projects. These new facilities includes a Student Union and an expanded kitchen facility along with new engineering and shop classrooms that provide instructional opportunities for students to participate in and be part of a robust Robotics, Agricultural Mechanical, Engineering and Auto Mechanics program. These expanded programs provide a hands on experience for students as the new facilities include shop and lab areas for student use and instruction. These shop areas include a vehicle lift, tire balancer and tire changer along with appropriate power and ventilation equipment to ensure students get the opportunity to experience project based learning. Also part of the newly opened Phase 2 Project at Perris High School is the new Agricultural Phase 2 Facility. This facility includes classrooms, science labs, a floral shop with floral coolers for student use as well as a large lecture room and leadership room for student leaders to use. The new Agricultural Phase 2 Facility provides the agricultural program at Perris High School with modern instructional facilities that expand the opportunities offered to students in the Agriculture Program. In addition to the Perris High School Projects, the District continues planning for the Perris High School Completion Phase Project at Perris High School, which will include a new Administration, Theater and Athletics buildings. During the 2017-18 year, planning and design preparation were under way for a new gymnasium at the California Military Institute and a 10 classroom building and athletic facilities additions at Paloma Valley.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - All 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, such as funds for Special Tax Bonds and associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $149,150,963 for the fiscal year ended June 30, 2018. Of this amount, ($91,109,753) 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	
	2018	(As Restated) 2017
Assets		
Current and other assets	$ 73,446,279	$ 88,090,794
Capital assets	312,160,368	298,962,468
Total Assets	385,606,647	387,053,262
Deferred Outflows of Resources	40,366,055	28,587,395
Liabilities		
Current liabilities	8,763,014	11,632,550
Long-term obligations (includes current portion)	140,810,256	144,703,927
Net pension liability	120,179,737	106,444,298
Total Liabilities	269,753,007	262,780,775
Deferred Inflows of Resources	7,068,732	2,756,899
Net Position		
Net investment in capital assets	210,549,097	194,606,607
Restricted	29,711,619	48,215,699
Unrestricted (Deficit)	(91,109,753)	(92,719,323)
Total Net Position	$ 149,150,963	$ 150,102,983

The ($91,109,753) 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 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,043,863	$ 2,505,301
Operating grants and contributions	19,541,852	20,967,998
Capital grants and contributions	105,038	87,596
General revenues:		
Federal and State aid, not restricted	83,700,584	82,168,348
Property taxes	38,318,131	36,405,092
Other general revenues	10,510,856	8,315,380
Total Revenues	154,220,324	150,449,715
Expenses		
Instruction	87,545,325	83,431,091
Instruction-related	15,087,166	14,007,322
Pupil services	19,535,664	19,155,606
Administration	9,044,704	8,772,618
Maintenance and operations	13,546,232	12,515,571
Other outgo	10,413,253	8,852,303
Total Expenses	155,172,344	146,734,511
Change in Net Position	$ (952,020)	$ 3,715,204

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $155,172,344. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $38,318,131. The remaining cost was paid by those who benefited from the programs; $2,043,863, or by other governments and organizations who subsidized certain programs with $19,646,890 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with $83,700,584 in State funds, and with $10,510,856 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 and instruction-related, pupil services, administration, maintenance and operations, and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction and instruction-related	$ 102,632,491	$ 97,438,413	$ 90,079,970	$ 84,433,716
Pupil services	19,535,664	19,155,606	13,815,058	13,511,697
Administration	9,044,704	8,772,618	8,170,809	7,545,584
Maintenance and operations	13,546,232	12,515,571	13,460,722	11,359,006
Other outgo	10,413,253	8,852,303	7,955,032	6,323,613
Total	$ 155,172,344	$ 146,734,511	$ 133,481,591	$ 123,173,616

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $66,059,322 which is a decrease of $11,805,998, from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 14,479,514	$ 120,060,192	$ 122,179,912	$ 12,359,794
Charter School Fund	2,427,546	11,476,825	11,198,553	2,705,818
Building Fund	16,044,941	180,840	5,409,344	10,816,437
Capital Facilities Fund	7,705,852	2,248,196	2,550,679	7,403,369
Capital Projects Fund for Blended Component Units	9,136,203	4,299,013	1,268,379	12,166,837
Bond Interest and Redemption Fund	10,856,891	9,493,241	8,513,293	11,836,839
Non-Major Governmental Funds	17,214,373	6,652,277	15,096,422	8,770,228
Total	$ 77,865,320	$ 154,410,584	$ 166,216,582	$ 66,059,322

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

1. As the District’s principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund decreased by $2,119,720. The net decrease is primarily due to both restricted and unrestricted resources balances that were carried over from 2016-2017 school year, and were spent in 2017-18 as planned.
2. The Charter School Fund balance increased by $278,272. The net increase is primarily due to receiving unexpected prior year apportionments for Prop. 39 funding.
3. The Capital Facilities Fund and the Building Fund decreased by $5,530,987 collectively due to multi-year facilities projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 69.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $312,160,368 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 $13,197,900 or 4.41 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 53,561,859	$ 63,008,713
Buildings and improvements, net of depreciation	256,657,793	233,922,657
Furniture and equipment, net of depreciation	1,940,716	2,031,098
Total	$ 312,160,368	$ 298,962,468

This year's increase of $13,197,900 is primarily a result of facilities improvement projects, including new construction and modernization projects. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $140,810,256 in long-term obligations outstanding versus $144,703,927 last year, a decrease of $3,893,671 or 2.69 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2018	(As Restated) 2017
General obligation bonds	$ 126,112,537	$ 129,174,684
Certificates of participation	6,075,000	6,420,000
Qualified school construction bonds	1,336,654	1,457,084
Qualified zone academy bonds (QZAB)	5,000,000	5,000,000
Capital lease obligations	522,537	688,290
Net other postemployment benefits (OPEB) liability	701,451	803,440
Compensated absences	592,077	400,214
Supplemental employee retirement plan	-	172,715
Choice 2000 settlement agreement	470,000	587,500
Total	$ 140,810,256	$ 144,703,927

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

Net Pension Liability (NPL)

At year-end, the District has a pension liability of $120,179,737 as a result of implementing GASB Statement No. 68.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018

With the continuation of a seven-period day in the 2017-2018 school year, the District has continued to focus on High School Graduation and College and Career preparedness by increasing the amount of rigorous college preparatory courses offered and creating more opportunities for students to be future ready through more exposure to college and career readiness activities. This additional period greatly increases our students chances of completing their A-G requirements for colleges and universities. It has also given our students greater opportunities to take foreign language, art, music, and career technical education classes, as well as the additional opportunities for credit recovery or educational program enhancement.

In the area of College and Career preparedness; the number of 11th grade EAP/ELA scores by 3%, students enrolled in CTE courses maintained a 95% CTE course completion rate, and there was a increase in student participation in AVID by 12%.

Graduation rates increased for the following subgroups: Students with Disabilities by 6.4%, Foster Youth by 12.7%, and African American students by 1%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

1. District enrollment of 10,097 and the Charter School’s enrollment of 1,000 were projected to be 11,097 in total. This represented an increase of 0.01 percent District-wide. Overall District Average Daily Attendance (ADA) including charters was projected to be 10,188.17. This represents an increase of 121.42 ADA.
2. Lottery funding for 2018-2019 was projected to be $194 per prior-year annual ADA. This per pupil rate reflects $146 per pupil for unrestricted lottery revenues and $48 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at $11,335 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 3.0 percent and is a 1.92 percent increase to the 2017-2018 LCFF entitlement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Candace Reines, 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, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 69,990,652
Receivables	3,197,620
Prepaid expenditures	227,371
Stores inventories	30,636
Capital assets	
Land and construction in process	53,561,859
Other capital assets	361,413,253
Less: accumulated depreciation	(102,814,744)
Total Capital Assets	312,160,368
Total Assets	385,606,647
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	40,366,055
LIABILITIES	
Accounts payable	6,585,060
Interest payable	1,376,057
Unearned revenue	801,897
Long-term Obligations	
Current portion long-term obligations other than pensions	10,398,984
Noncurrent portion of long-term obligations other than pensions	130,411,272
Total Long-Term Obligations	140,810,256
Aggregate net pension liability	120,179,737
Total Liabilities	269,753,007
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	7,068,732
NET POSITION	
Net investment in capital assets	210,549,097
Restricted for:	
Debt service	16,197,306
Capital projects	9,114,078
Educational programs	3,125,860
Other activities	1,274,375
Unrestricted (Deficit)	(91,109,753)
Total Net Position	$ 149,150,963

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

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 87,545,325	$ 8,265	$ 10,586,506	$ 105,038	$ (76,845,516)
Instruction-related activities:					
Supervision of instruction	3,719,663	-	1,426,293	-	(2,293,370)
Instructional library, media and technology	993,633	-	8,923	-	(984,710)
School site administration	10,373,870	13	417,483	-	(9,956,374)
Pupil services:					
Home-to-school transportation	4,139,772	-	10,826	-	(4,128,946)
Food services	5,098,514	466,339	4,078,429	-	(553,746)
All other pupil services	10,297,378	300	1,164,712	-	(9,132,366)
Administration:					
Data processing	2,675,133	-	14,138	-	(2,660,995)
All other administration	6,369,571	120,203	739,554	-	(5,509,814)
Plant services	13,546,232	8,379	77,131	-	(13,460,722)
Ancillary services	2,780,547	-	57,049	-	(2,723,498)
Community services	18,669	-	18,163	-	(506)
Interest on long-term obligations	5,782,015	-	-	-	(5,782,015)
Other outgo	1,832,022	1,440,364	942,645	-	550,987
Total Governmental Activities	$ 155,172,344	$ 2,043,863	$ 19,541,852	$ 105,038	(133,481,591)

General revenues and subventions:	
Property taxes, levied for general purposes	28,356,039
Property taxes, levied for debt service	9,396,104
Taxes levied for other specific purposes	565,988
Federal and State aid not restricted to specific purposes	83,700,584
Interest and investment earnings	292,874
Miscellaneous	10,217,982
Subtotal, General Revenues	132,529,571
Change in Net Position	(952,020)
Net Position - Beginning	150,906,423
Restatement	(803,440)
Net Position - Beginning (As Restated)	150,102,983
Net Position - Ending	$ 149,150,963

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 14,999,220	$ 3,716,751	$ 11,229,289	$ 7,011,948
Receivables	2,340,235	85,096	49,758	83,248
Due from other funds	1,341,751	360,757	-	518,999
Prepaid expenditures	198,157	29,214	-	-
Stores inventories	-	-	-	-
Total Assets	$ 18,879,363	$ 4,191,818	$ 11,279,047	$ 7,614,195
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 5,260,229	$ 169,976	$ 462,390	$ 193,391
Due to other funds	470,745	1,316,024	220	17,435
Unearned revenue	788,595	-	-	-
Total Liabilities	6,519,569	1,486,000	462,610	210,826
FUND BALANCES				
Nonspendable	223,157	29,214	-	-
Restricted	3,125,860	504,924	10,816,437	7,403,369
Assigned	3,543,351	2,171,680	-	-
Unassigned	5,467,426	-	-	-
Total Fund Balances	12,359,794	2,705,818	10,816,437	7,403,369
Total Liabilities and Fund Balances	$ 18,879,363	$ 4,191,818	$ 11,279,047	$ 7,614,195

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 12,618,312	$ 11,836,839	$ 8,578,293	$ 69,990,652
-	-	639,283	3,197,620
-	-	42,534	2,264,041
-	-	-	227,371
-	-	30,636	30,636
$ 12,618,312	$ 11,836,839	$ 9,290,746	$ 75,710,320
$ -	$ -	$ 499,074	$ 6,585,060
451,475	-	8,142	2,264,041
-	-	13,302	801,897
451,475	-	520,518	9,650,998
-	-	33,551	285,922
12,166,837	11,836,839	8,721,608	54,575,874
-	-	15,069	5,730,100
-	-	-	5,467,426
12,166,837	11,836,839	8,770,228	66,059,322
$ 12,618,312	$ 11,836,839	$ 9,290,746	$ 75,710,320

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 66,059,322**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 414,975,112	
Accumulated depreciation is:	(102,814,744)	
Net Capital Assets		312,160,368
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.		(1,376,057)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	10,448,376	
Net change in proportionate share of net pension liability	6,244,882	
Difference between projected and actual earnings on pension plan investments	1,211,120	
Differences between expected and actual experience in the measurement of the total pension liability.	1,569,243	
Changes in assumptions	20,892,434	
Total Deferred Outflows of Resources Related to Pensions		40,366,055
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(2,902,741)	
Difference between projected and actual earnings on pension plan investments	(2,268,296)	
Differences between expected and actual experience in the measurement of the total pension liability.	(1,485,491)	
Changes of assumptions	(412,204)	
Total Deferred Inflows of Resources Related to Pensions		(7,068,732)

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

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (120,179,737)
Long-term obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$(106,662,300)	
Certificates of participation	(6,075,000)	
Qualified school construction bonds	(1,336,654)	
QZAB lease purchase agreement	(5,000,000)	
Capital leases	(522,537)	
Compensated absences (vacations)	(592,077)	
Net other postemployment benefits (OPEB) liability	(701,451)	
Choice 2000 settlement agreement	(470,000)	
Premium on issuance of general obligation bonds	(4,528,054)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The accretion of interest unmatered on the general obligation bonds to date is:	(14,922,183)	
Total Long-Term Obligations		(140,810,256)
Total Net Position - Governmental Activities		**$ 149,150,963**

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	$ 97,744,720	$ 10,172,323	$ -	$ -
Federal sources	7,983,360	1,278	-	-
Other State sources	11,234,793	1,163,366	-	266
Other local sources	3,097,319	78,514	180,840	1,790,094
Total Revenues	120,060,192	11,415,481	180,840	1,790,360
EXPENDITURES				
Current				
Instruction	70,067,748	5,917,058	-	-
Instruction-related activities:				
Supervision of instruction	2,492,971	1,010,564	-	-
Instructional library, media, and technology	887,854	56,715	-	-
School site administration	7,259,752	1,579,266	-	-
Pupil services:				
Home-to-school transportation	3,807,248	332,524	-	-
Food services	23,698	-	-	-
All other pupil services	9,363,944	292,178	-	-
Administration:				
Data processing	2,453,127	82,815	-	-
All other administration	4,892,358	515,483	-	604,028
Plant services	12,559,600	763,930	-	-
Ancillary services	2,386,335	304,480	-	-
Community services	18,163	506	-	-
Other outgo	1,021,479	-	-	-
Facility acquisition and construction	4,724,134	143,117	5,409,344	1,946,651
Debt service				
Principal	165,753	120,430	-	-
Interest and other	17,207	79,487	-	-
Total Expenditures	122,141,371	11,198,553	5,409,344	2,550,679
Excess (Deficiency) of Revenues Over Expenditures	(2,081,179)	216,928	(5,228,504)	(760,319)
Other Financing Sources (Uses)				
Transfers in	-	-	-	457,836
Other sources	-	61,344	-	-
Transfers out	(38,541)	-	-	-
Net Financing Sources (Uses)	(38,541)	61,344	-	457,836
NET CHANGE IN FUND BALANCES	(2,119,720)	278,272	(5,228,504)	(302,483)
Fund Balances - Beginning	14,479,514	2,427,546	16,044,941	7,705,852
Fund Balances - Ending	$ 12,359,794	$ 2,705,818	$ 10,816,437	$ 7,403,369

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 107,917,043
-	-	4,037,256	12,021,894
-	95,267	529,602	13,023,294
4,299,013	9,397,974	1,436,684	20,280,438
4,299,013	9,493,241	6,003,542	153,242,669
-	-	71,814	76,056,620
-	-	-	3,503,535
-	-	-	944,569
-	-	125,001	8,964,019
-	-	-	4,139,772
-	-	4,962,587	4,986,285
-	-	-	9,656,122
-	-	-	2,535,942
-	-	263,058	6,274,927
-	-	90,172	13,413,702
-	-	-	2,690,815
-	-	-	18,669
810,543	-	-	1,832,022
-	-	8,363,402	20,586,648
-	4,245,000	345,000	4,876,183
-	4,268,293	265,194	4,630,181
810,543	8,513,293	14,486,228	165,110,011
3,488,470	979,948	(8,482,686)	(11,867,342)
-	-	648,735	1,106,571
-	-	-	61,344
(457,836)	-	(610,194)	(1,106,571)
(457,836)	-	38,541	61,344
3,030,634	979,948	(8,444,145)	(11,805,998)
9,136,203	10,856,891	17,214,373	77,865,320
$ 12,166,837	$ 11,836,839	$ 8,770,228	$ 66,059,322

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (11,805,998)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 20,950,645	
Depreciation expense	(7,741,169)	
Net Expense Adjustment		13,209,476
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(11,576)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations), supplemental retirement, and settlement agreement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $191,863, supplemental retirement earned was less than the amount paid by $172,715 and settlement agreement paid in the current year was $117,500.		98,352
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(6,268,612)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the change in the net OPEB liability during the year.		101,989

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 4,245,000	
Certificates of participation	345,000	
Qualified school construction bonds	120,430	
Capital lease obligations	165,753	
Combined adjustment		4,876,183
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net changes of the following balance:		
Amortization of debt premium		439,723
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds, certificates of participation, and qualified school construction bonds decreased by $31,019 and second, $1,622,576 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,591,557)
Change in Net Position of Governmental Activities		**$ (952,020)**

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

PERRIS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	$ 7,742,992	$ 845,949	$ 8,588,941
Receivables	-	1,716	1,716
Total Assets	$ 7,742,992	$ 847,665	$ 8,590,657
LIABILITIES			
Accounts payable	$ -	$ 70	$ 70
Due to student groups	-	847,595	847,595
Due to bond holders	7,742,992	-	7,742,992
Total Liabilities	$ 7,742,992	$ 847,665	$ 8,590,657

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

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

Other Related Entities

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

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

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District that are considered blended component units of the District under generally accepted accounting principles.

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

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

QZAB Fund The QZAB Fund is used to account for the accumulation of resources for the lease payment related to the QZAB lease purchase agreement between the District and the Public Property Financing Corporation of California.

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligation.

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Basis of Accounting - Measurement Focus

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

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. 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. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, t 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 $29,711,619 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and

(2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

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

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

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

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

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

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

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

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting*

Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 69,990,652
Fiduciary funds	8,588,941
Total Deposits and Investments	$ 78,579,593

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 21,220,555
Cash in revolving	27,915
Investments	57,331,123
Total Deposits and Investments	$ 78,579,593

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 County Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Maturity Date
Toyota Motor Credit Corporation Commercial Paper	$ 4,945,111	12/10/2018
First American Government Obligation Fund Class D	790,307	16*
Riverside County Investment Pool	51,595,705	427*
Total	$ 57,331,123	

* Weighted-average days to maturity.

Credit Risk

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

Investment Type	Minimum Legal Rating	Moody's Rating June 30, 2018	Reported Amount
Toyota Motor Credit Corporation Commercial Paper	Not Required	P-1	$ 4,945,111
First American Government Obligation Fund Class D	Not Required	Aaa-mf	790,307
Riverside County Investment Pool	Not Required	Aaa-bf	51,595,705
Total Investments			$ 57,331,123

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of $20,925,556 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

		Fair Value Measurements Using		
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized
Toyota Motor Credit Corporation Commercial Paper	$ 4,945,111	$ -	$ 4,945,111	$ -
First American Government Obligation Fund Class D	790,307	790,307	-	-
Riverside County Investment Pool	51,595,705	-	-	51,595,705
Total	$57,331,123	$ 790,307	$ 4,945,111	$ 51,595,705

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	$ 1,037,994	$ -	$ -	$ -	$ 484,756	$1,522,750	$ -
State Government							
Categorical aid	213,831	22,074	-	-	37,807	273,712	-
Lottery	396,016	39,033	-	-	-	435,049	-
Local Government							
Interest	65,005	16,556	49,758	33,381	21,313	186,013	-
Other Local Sources	627,389	7,433	-	49,867	95,407	780,096	1,716
Total	$ 2,340,235	$ 85,096	$ 49,758	$ 83,248	$ 639,283	$3,197,620	$ 1,716

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 11,545,012	$ -	$ -	$ 11,545,012
Construction in Progress	51,463,701	15,426,736	24,873,590	42,016,847
Total Capital Assets Not Being Depreciated	63,008,713	15,426,736	24,873,590	53,561,859
Capital Assets Being Depreciated:				
Land Improvements	19,873,396	-	12,863	19,860,533
Buildings	299,560,276	30,046,366	-	329,606,642
Equipment	11,594,945	351,133	-	11,946,078
Total Capital Assets Being Depreciated	331,028,617	30,397,499	12,863	361,413,253
Total Capital Assets	394,037,330	45,824,235	24,886,453	414,975,112
Less Accumulated Depreciation:				
Land Improvements	12,880,301	549,114	1,287	13,428,128
Buildings	72,630,714	6,750,540	-	79,381,254
Equipment	9,563,847	441,515	-	10,005,362
Total Accumulated Depreciation	95,074,862	7,741,169	1,287	102,814,744
Governmental Activities Capital Assets, Net	$ 298,962,468	$ 38,083,066	$ 24,885,166	$ 312,160,368

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

Governmental Activities	
Instruction	$ 6,732,804
School site administration	870,417
Data processing	67,967
All other administration	6,967
Plant services	63,014
Total Depreciation Expenses All Activities	$ 7,741,169

NOTE 6 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

	Due From						
Due To	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,316,024	$ 150	$ 17,435	$ -	$ 8,142	$ 1,341,751
Charter School Fund	360,757	-	-	-	-	-	360,757
Capital Facilities Fund	67,454	-	70	-	451,475	-	518,999
Non-Major Governmental Funds	42,534	-	-	-	-	-	42,534
Total	$ 470,745	$ 1,316,024	$ 220	$ 17,435	$ 451,475	$ 8,142	$ 2,264,041

The balance of $360,757 is due to the Charter School Fund from the General Fund for in-lieu property taxes.

A balance of $1,198,524 is due to the General Fund from the Charter School Fund for indirect costs, oversight fees, Special Education allocation, insurance & reimbursement of miscellaneous expenditures.

A balance of $117,500 is due to the General Fund from the Charter School Fund for the repayment of the Choice 2000 settlement.

The balance of $17,435 is due to the General Fund from the Capital Facilities Fund for indirect costs, water, and postage.

A balance of $42,534 is due to the Adult Education Non-Major Governmental Fund from the General Fund for contribution of administrator salaries and payroll expenditures incorrectly charge.

A balance of $64,454 is due to the Capital Facilities Fund from the General Fund for reimbursement of construction expenditures.

The balance of $451,475 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units for reimbursement of construction expenditures.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From			
Transfer To	General Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Capital Facility Fund	$ -	$ 457,836	$ -	$ 457,836
Non-Major Governmental Funds	38,541	-	610,194	648,735
Total	$ 38,541	$ 457,836	$ 610,194	$ 1,106,571

The General Fund transferred to the Adult Education Non-Major Governmental Fund for salary expenses.	$ 38,541
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.	610,194
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund to reimburse for construction payments.	457,836
Total	$ 1,106,571

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Funds
Vendor payables	$ 2,989,060	$ 71,221	$ -	$ 21,908	$ 5,036	$ 3,087,225	$ 70
State principal apportionment	1,692,525	91,373	-	-	-	1,783,898	-
Salaries and benefits	259,209	6,591	-	25	26,116	291,941	-
Construction	319,435	791	462,390	171,458	467,922	1,421,996	-
Total	$ 5,260,229	$ 169,976	$ 462,390	$ 193,391	$ 499,074	$ 6,585,060	$ 70

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 139,108	$ -	$ 139,108
State categorical aid	649,487	-	649,487
Other local	-	13,302	13,302
Total	$ 788,595	$ 13,302	$ 801,897

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	(As Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 124,201,907	$ 1,627,576	$ 4,245,000	$ 121,584,483	$ 4,630,000
Premium on bonds	4,967,777	-	439,723	4,528,054	-
Certificates of participation	6,420,000	-	345,000	6,075,000	360,000
Qualified school construction bonds	1,457,084	-	120,430	1,336,654	121,588
Qualified zone academy bonds (QZAB)	5,000,000	-	-	5,000,000	5,000,000
Capital leases	688,290	-	165,753	522,537	169,896
Compensated absences	400,214	191,863	-	592,077	-
Supplemental employee retirement plan (SERP)	172,715	-	172,715	-	-
Net OPEB liability	803,440	-	101,989	701,451	-
Choice 2000 settlement agreement	587,500	-	117,500	470,000	117,500
	$ 144,698,927	$ 1,819,439	$ 5,708,110	$ 140,810,256	$ 10,398,984

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.
Payments on the Certificates of Participation are made from the Debt Service Fund for Blended Component Units.
Payments for the Qualified School Construction Bonds are made from the Charter School Fund.
Payments on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.
Payments for the Capital Leases are made from the General Fund.
Payments for compensated absences paid for by the fund for which the employee worked.
Payments for the SERP are made from the General Fund and Charter School Fund.
Payments for the net OPEB liability are made from the General Fund.
Payment for the Choice 2000 settlement agreement will be made from the Charter School Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
5/1/00	3/1/25	6.05 - 6.40%	$ 8,313,075	$ 6,597,971	$ -	$ 420,763	$ 825,000	$ 6,193,734
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	8,107,759	-	428,308	620,000	7,916,067
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	9,964,460	-	519,412	-	10,483,872
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	4,107,675	-	66,051	595,000	3,578,726
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	30,345,000	-	-	-	30,345,000
11/6/14	9/1/24	2.00 - 4.00%	26,510,000	24,815,000	-	-	1,350,000	23,465,000
10/20/15	9/1/45	3.00 - 5.00%	40,413,023	40,264,042	-	193,042	855,000	39,602,084
				$ 124,201,907	$ -	$ 1,627,576	$ 4,245,000	$ 121,584,483

Election 1999, Series A General Obligation Bonds

In May 2000, the District issued $8,313,075 in Election 1999, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2018, the principal balance outstanding was $6,193,734.

Election 1999, Series B General Obligation Bonds

In November 2002, the District issued $7,686,807 in Election 1999, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2018, the principal balance outstanding was $7,916,067.

Election 2004, Series A General Obligation Bonds

In February 2005, the District issued $38,764,558 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was $10,483,872.

Election 2004, Series B General Obligation Bonds

In March 2006, the District issued $7,232,820 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was $3,578,726.

Election 2012, Series A General Obligation Bonds

In July 2013, the District issued $35,000,000 in Election 2012, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. At June 30, 2018, the principal balance outstanding was $30,345,000.

Election 2004, Series A General Obligation Refunding Bonds

In November 2014, the District issued $26,510,000 in Election 2004 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was $23,465,000.

Election 2012, General Obligation Bond, Series B

In October 2015, the District issued $40,413,023 in Election 2012 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was $39,602,084.

Debt Service Requirements to Maturity

The bonds mature through 2045, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2019	$ 4,591,529	$ 38,471	$ 4,169,702	$ 8,799,702
2020	5,097,481	132,519	4,057,836	9,287,836
2021	5,643,681	231,319	3,883,969	9,758,969
2022	6,230,524	334,476	3,683,036	10,248,036
2023	4,835,446	819,554	3,487,019	9,142,019
2024-2028	27,040,493	5,609,507	9,690,984	42,340,984
2029-2033	16,008,018	6,241,982	12,559,744	34,809,744
2034-2038	11,875,351	4,009,649	10,331,975	26,216,975
2039-2043	24,826,960	698,040	7,239,838	32,764,838
2044-2045	15,435,000	-	4,636,962	20,071,962
Total	$ 121,584,483	$ 18,115,517	$ 63,741,065	$ 203,441,065

Certificates of Participation

In December 2007, the District issued $23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2018, is $6,075,000.

The certificates mature through 2031, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 360,000	$ 251,094	$ 611,094
2020	380,000	236,294	616,294
2021	390,000	220,894	610,894
2022	410,000	204,894	614,894
2023	425,000	188,194	613,194
2024-2028	2,400,000	653,609	3,053,609
2029-2031	1,710,000	117,675	1,827,675
Total	$ 6,075,000	$ 1,872,654	$ 7,947,654

Qualified School Construction Bonds

In October 2011, the District issued $2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2018, is $1,336,654.

The bonds mature through 2029, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 121,588	$ 72,763	$ 194,351
2019	122,758	65,974	188,732
2020	123,940	59,120	183,060
2021	125,132	52,200	177,332
2022	126,337	45,213	171,550
2023-2027	650,155	118,891	769,046
2028-2029	66,744	1,859	68,603
Total	$ 1,336,654	$ 416,020	$ 1,752,674

Qualified Zone Academy Bonds (QZAB) Lease Purchase Agreement

On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued $5,000,000 Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. The Bonds mature on December 9, 2018, with the entire principal amount of $5,000,000 due at this date. The Bonds do not bear interest. In lieu of receiving periodic interest or sinking fund payments, qualified buyers will receive an annual Federal tax credit as set by the U.S. Treasury Department. Payment of principal on the Bonds is secured by an initial deposit of $2,618,141 made by the District on the date of issuance. The initial deposit, together with accrued interest earnings shall be sufficient to make the lease payment in full at maturity. As of June 30, 2018, US Bank held $5,105,873 for the lease payment.

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, 2017	$ 731,840
Payments	182,960
Balance, June 30, 2018	$ 548,880

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	$ 182,960
2020	182,960
2021	182,960
Total	548,880
Less: Amount Representing Interest	26,343
Present Value of Minimum Lease Payments	$ 522,537

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $592,077.

Choice 2000 Settlement Agreement

On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-2010 for the 2005-2006 fiscal year shall be $122,200, which sum represents approximately ten percent of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2018, the remaining total future payment due was approximately $61,100. The repayment schedule is summarized as follows:

Fiscal Year	Settlement Payment
2019	$ 15,275
2020	15,275
2021	15,275
2022	15,275
Total	$ 61,100

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, ten percent of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of $817,799. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2018, the remaining future payment due was approximately $408,900, the repayment schedule is summarized as follows:

Fiscal Year	Settlement Payment
2019	$ 102,225
2020	102,225
2021	102,225
2022	102,225
Total	$ 408,900

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, 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	$ 701,451	$ (101,989)

The detail of the plan are as follows:

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $701,451 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2017 and June 30, 2016, respectively, was 0.1667 percent and 0.1717 percent, resulting in a net decrease in proportionate share of 0.0050 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(101,989).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016 was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net 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 (2.58%)	$ 776,555
Current discount rate (3.58%)	701,451
1% increase (4.58%)	628,396

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 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 633,868
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	701,451
1% increase (4.7% Part A and 5.1% Part B)	768,358

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $44,235,000 as of June 30, 2018, 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	Charter School Fund	Building Fund	Capital Facilities Fund
Nonspendable				
Revolving cash	$ 25,000	$ -	$ -	$ -
Stores inventories	-	-	-	-
Prepaid expenditures	198,157	29,214	-	-
Total Nonspendable	223,157	29,214	-	-
Restricted				
Legally restricted programs	3,125,860	504,924	-	-
Capital projects	-	-	10,816,437	7,403,369
Debt services	-	-	-	-
Total Restricted	3,125,860	504,924	10,816,437	7,403,369
Assigned	3,543,351	2,171,680	-	-
Unassigned				
Economic uncertainties	5,467,426	-	-	-
Total	$ 12,359,794	$ 2,705,818	$ 10,816,437	$ 7,403,369

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
$ -	$ -	$ 2,915	$ 27,915
-	-	30,636	30,636
-	-	-	227,371
-	-	33,551	285,922
-	-	1,274,375	4,905,159
12,166,837	-	1,710,709	32,097,352
-	11,836,839	5,736,524	17,573,363
12,166,837	11,836,839	8,721,608	54,575,874
-	-	15,069	5,730,100
-	-	-	5,467,426
$ 12,166,837	$ 11,836,839	$ 8,770,228	$ 66,059,322

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, 2018, 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 2018, 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, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 85,169,359	$ 28,647,035	$ 6,656,528	$ 9,225,667
CalPERS	35,010,378	11,719,020	412,204	7,491,322
Total	$ 120,179,737	$ 40,366,055	$ 7,068,732	$ 16,716,989

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $7,418,500.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 85,169,359
State's proportionate share of the net pension liability associated with the District	50,385,473
Total	$ 135,554,832

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.0921 percent and 0.0965 percent, resulting in a net decrease in the proportionate share of 0.0044 percent.

For the year ended June 30, 2018, the District recognized pension expense of $9,225,667. In addition, the District recognized pension expense and revenue of $5,071,782 for support provided by the State. At June 30, 2018, 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	$ 7,418,500	$ -
Net change in proportionate share of net pension liability	5,134,952	2,902,741
Difference between projected and actual earnings on pension plan investments	-	2,268,296
Difference between expected and actual experiences in the measurement of the total pension liability	314,965	1,485,491
Change in assumptions	15,778,618	-
Total	$ 28,647,035	$ 6,656,528

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

Year Ended June 30,	Deferred Outflows/(Inflows) Amortization
2019	$ (1,885,719)
2020	1,426,933
2021	205,755
2022	(2,015,265)
Total	$ (2,268,296)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,915,965
2020	2,915,965
2021	2,915,965
2022	2,915,963
2023	2,977,973
Thereafter	2,198,472
Total	$ 16,840,303

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 125,055,658
Current discount rate (7.10%)	85,169,359
1% increase (8.10%)	52,798,924

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.53%	15.53%

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, 2018, are presented above and the total District contributions were $3,029,876.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,010,378. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.1467 percent and 0.1437 percent, resulting in a net increase in the proportionate share of 0.0030 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,491,322. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,029,876	$ -
Net change in proportionate share of net pension liability	1,109,930	
Difference between projected and actual earnings on pension plan investments	1,211,120	-
Difference between expected and actual experiences in the measurement of the total pension liability	1,254,278	-
Changes of assumptions	5,113,816	412,204
Total	$ 11,719,020	$ 412,204

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 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
2019	$ (32,817)
2020	1,397,369
2021	509,776
2022	(663,208)
Total	$ 1,211,120

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,659,354
2020	2,524,313
2021	1,882,153
Total	$ 7,065,820

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7. 15%
Investment rate of return	7. 15%
Consumer price inflation	2.75%
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 Scale BB.

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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 51,511,484
Current discount rate (7.15%)	35,010,378
1% increase (8.15%)	21,321,328

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 $4,143,895 (9.328 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund-Budgetary Comparison Schedule*.

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, 2018.

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, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Perris High School Phase 2B	$ 5,079,137	December 2018
Perris High School Agricultural Research Center Phase II	2,622,806	Decenber 2018
Paloma Valley High School Classroom Addition / Stadium Improvement	10,941,472	August 2019
	$ 18,643,415	

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, 2018, the District made payments of $1,496,269, $8,937,827, and $758,854 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 150,906,423
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(803,440)
Net Position - Beginning as Restated	$ 150,102,983

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 97,868,301	$ 97,776,233	$ 97,744,720	$ (31,513)
Federal sources	6,908,896	7,748,106	7,983,360	235,254
Other State sources	8,928,960	11,323,985	11,234,793	(89,192)
Other local sources	2,111,716	2,661,008	3,097,319	436,311
Total Revenues [1]	115,817,873	119,509,332	120,060,192	550,860
EXPENDITURES				
Current				
Certificated salaries	47,489,751	48,497,501	48,538,921	(41,420)
Classified salaries	18,846,430	18,272,765	18,102,508	170,257
Employee benefits	25,833,974	25,947,895	25,391,684	556,211
Books and supplies	7,606,356	6,443,662	6,394,841	48,821
Services and operating expenditures	16,000,361	17,700,678	18,232,183	(531,505)
Capital outlay	5,708,236	5,540,076	5,017,135	522,941
Other outgo	(1,025,350)	543,006	281,139	261,867
Debt service	-			
Principal	782,829	165,753	165,753	-
Interest	21,250	17,207	17,207	-
Total Expenditures [1]	121,263,837	123,128,543	122,141,371	987,172
Excess (Deficiency) of Revenues Over Expenditures	(5,445,964)	(3,619,211)	(2,081,179)	1,538,032
OTHER FINANCING USES				
Transfers out	(37,564)	(38,577)	(38,541)	(36)
NET CHANGE IN FUND BALANCE	(5,483,528)	(3,657,788)	(2,119,720)	(1,538,068)
Fund Balance - Beginning	14,479,514	14,479,514	14,479,514	-
Fund Balance - Ending	$ 8,995,986	$ 10,821,726	$ 12,359,794	$ (1,538,068)

[1] On behalf payments of $4,143,895 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1667%
District's proportionate share of the net OPEB liability	$ 701,451
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0921%	0.0965%
District's proportionate share of the net pension liability	$ 85,169,359	$ 78,071,403
State's proportionate share of the net pension liability associated with the District	50,385,473	44,444,657
Total	$ 135,554,832	$ 122,516,060
District's covered - employee payroll	$ 49,391,614	$ 47,760,848
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	172.44%	163.46%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1467%	0.1437%
District's proportionate share of the net pension liability	$ 35,010,378	$ 28,372,895
District's covered - employee payroll	$ 18,688,179	$ 17,430,785
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	187.34%	162.77%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.0876%	0.0866%
$ 59,003,719	$ 50,593,383
31,206,463	30,550,469
$ 90,210,182	$ 81,143,852
$ 41,835,563	$ 38,561,927
141.04%	131.20%
74%	77%
0.1352%	0.1215%
$ 19,933,763	$ 13,793,298
$ 16,126,703	$ 12,754,553
123.61%	85.53%
79%	83%

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 7,418,500	$ 6,213,465	$ 5,124,739	$ 3,714,998
Contributions in relation to the contractually required contribution	(7,418,500)	(6,213,465)	(5,124,739)	(3,714,998)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 51,410,256	$ 49,391,614	$ 47,760,848	$ 41,835,563
Contributions as a percentage of covered - employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 3,029,876	$ 2,595,788	$ 2,065,548	$ 1,898,113
Contributions in relation to the contractually required contribution	(3,029,876)	(2,595,788)	(2,065,548)	(1,898,113)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 19,509,826	$ 18,688,179	$ 17,430,785	$ 16,126,703
Contributions as a percentage of covered - employee payroll	15.53%	13.89%	11.85%	11.77%

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

See accompanying note to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

Changes of Assumptions **–** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	$ 289,411
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	3,661,649
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	17,056
Title II, Part A - Supporting Effective Instruction	84.367	14341	188,220
English Language Acquisition State Grants:			
Title III, Part A - Immigrant Student Program	84.365	15146	10,772
Title III - English Learner Student Program	84.365	14346	241,677
Subtotal English Language Acquisition State Grants			252,449
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	590,332
Passed through Riverside County Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,624,930
Mental Health Allocation Plan, Part B, Section 611	84.027	15197	597,428
Subtotal Special Education (IDEA) Cluster			2,222,358
Total U.S. Department of Education			7,221,475
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	2,876,663
Especially Needy Breakfast	10.553	13526	803,298
Food Distribution	10.555	13524	317,290
Subtotal Child Nutrition Cluster			3,997,251
Child and Adult Care Food Program	10.558	13393	40,005
Total U.S. Department of Agriculture			4,037,256

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	$ 167,345
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	45,032
Medi-Cal Administrative Activities Program	93.778	10060	102,040
Subtotal Medi-Cal Assistance Program:			147,072
Total U.S. Department of Health and Human Services			147,072
Total Federal Programs			$ 11,573,148

[1] Direct funded program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Jose Luis Araux	President	2018
Edward Garcia	Vice President	2020
David Nelissen	Clerk	2020
Carolyn A. Twyman	Member	2018
Anthony T. Stafford, Sr.	Member	2020

ADMINISTRATION

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report Second Period Report	Final Report Annual Report
Regular ADA		
Seventh and eighth	1,089.20	1,080.28
Ninth through twelfth	7,991.02	7,908.99
Total Regular ADA	9,080.22	8,989.27
Extended Year Special Education		
Seventh and eighth	0.64	0.64
Ninth through twelfth	3.62	3.62
Total Extended Year Special Education	4.26	4.26
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	27.97	27.30
Extended Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	2.29	2.64
Total ADA	9,114.74	9,023.47
CALIFORNIA MILITARY INSTITUTE		
Regular ADA		
Fifth through sixth	172.86	172.82
Seventh and eighth	286.86	287.48
Ninth through twelfth	514.19	513.10
Total Regular ADA	973.91	973.40
Classroom based ADA		
Fourth through sixth	172.86	172.82
Seventh and eighth	286.86	287.48
Ninth through twelfth	514.19	513.10
Total Classroom Based ADA	973.91	973.40

The California Military Institute did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

District

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	54,000				
Grade 7		61,990	180	N/A	Complied
Grade 8		61,990	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,646	180	N/A	Complied
Grade 10		66,646	180	N/A	Complied
Grade 11		66,646	180	N/A	Complied
Grade 12		66,646	180	N/A	Complied

California Military Institute

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 5 - 6	54,000				
Grade 5		66,271	180	N/A	Complied
Grade 6		66,271	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,271	180	N/A	Complied
Grade 8		66,271	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,271	180	N/A	Complied
Grade 10		66,271	180	N/A	Complied
Grade 11		66,271	180	N/A	Complied
Grade 12		66,271	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Revenues	$ 127,745,084	$ 120,060,192	$ 119,830,387	$ 113,176,545
Expenditures	127,476,880	122,141,371	117,364,784	109,900,841
Other uses and transfers out	-	(38,541)	-	(62,904)
Total Expenditures and Other Sources	127,476,880	122,179,912	117,364,784	109,963,745
INCREASE (DECREASE) IN FUND BALANCE	$ 268,204	$ (2,119,720)	$ 2,465,603	$ 3,212,800
ENDING FUND BALANCE	$ 12,627,998	$ 12,359,794	$ 14,479,514	$ 12,013,911
AVAILABLE RESERVES [2]	$ 6,995,379	$ 5,467,426	$ 3,520,944	$ 7,527,009
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.49%	4.47%	3.00%	6.84%
LONG-TERM OBLIGATIONS [3]	N/A	$ 140,810,256	$144,703,927	$149,196,446
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,227	9,115	9,069	9,062

The General Fund balance has increased by $345,883 over the past two years. The fiscal year 2018-2019 budget projects a further increase of $268,204 (2.17 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have decreased by $8,386,190 over the past two years.

Average daily attendance has increased by 53 over the past two years. Additional growth/decline of 112 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 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] Long-term obligations for 2017 have been restated due to implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
California Military Institute	Yes

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 78,199	$ 603,789	$ 2,159,785
Receivables	7,082	613,351	18,846
Due from other funds	42,534	-	-
Stores inventories	-	30,636	-
Total Assets	$ 127,815	$ 1,247,776	$ 2,178,631
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 8,755	$ 22,397	$ 467,922
Due to other funds	5,592	2,550	-
Unearned revenue	-	13,302	-
Total Liabilities	14,347	38,249	467,922
Fund Balances:			
Nonspendable	-	33,551	-
Restricted	98,399	1,175,976	1,710,709
Assigned	15,069	-	-
Total Fund Balances	113,468	1,209,527	1,710,709
Total Liabilities and Fund Balances	$ 127,815	$ 1,247,776	$ 2,178,631

See accompanying note to supplementary information.

	QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
	$ 5,105,873	$ 1,102	$ 629,545	$ 8,578,293
	-	4	-	639,283
	-	-	-	42,534
	-	-	-	30,636
	$ 5,105,873	$ 1,106	$ 629,545	$ 9,290,746
	$ -	$ -	$ -	$ 499,074
	-	-	-	8,142
	-	-	-	13,302
	-	-	-	520,518
	-	-	-	33,551
	5,105,873	1,106	629,545	8,721,608
	-	-	-	15,069
	5,105,873	1,106	629,545	8,770,228
	$ 5,105,873	$ 1,106	$ 629,545	$ 9,290,746

PERRIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	County School Facilities Fund	QZAB Fund
REVENUES				
Federal sources	$ -	$ 4,037,256	-	$ -
Other State sources	237,213	292,389	-	-
Other local sources	12,978	516,260	105,038	187,646
Total Revenues	250,191	4,845,905	105,038	187,646
EXPENDITURES				
Current				
Instruction	71,814	-	-	-
Instruction-related activities:				
School site administration	125,001	-	-	-
Pupil services:				
Food services	-	4,962,587	-	-
Administration:				
All other general administration	14,828	248,230	-	-
Plant services	7,276	82,896	-	-
Facility acquisition and construction	-	-	8,363,402	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	218,919	5,293,713	8,363,402	-
Excess (Deficiency) of Revenues Over Expenditures	31,272	(447,808)	(8,258,364)	187,646
OTHER FINANCING SOURCES (USES)				
Transfers in	38,541	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	38,541	-	-	-
NET CHANGE IN FUND BALANCES	69,813	(447,808)	(8,258,364)	187,646
Fund Balances - Beginning	43,655	1,657,335	9,969,073	4,918,227
Fund Balances - Ending	$ 113,468	$ 1,209,527	$ 1,710,709	$ 5,105,873

See accompanying note to supplementary information.

Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ 4,037,256
-	-	529,602
610,884	3,878	1,436,684
610,884	3,878	6,003,542
-	-	71,814
-	-	125,001
-	-	4,962,587
-	-	263,058
-	-	90,172
-	-	8,363,402
-	345,000	345,000
-	265,194	265,194
-	610,194	14,486,228
610,884	(606,316)	(8,482,686)
-	610,194	648,735
(610,194)	-	(610,194)
(610,194)	610,194	38,541
690	3,878	(8,444,145)
416	625,667	17,214,373
$ 1,106	$ 629,545	$ 8,770,228

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 12,021,894
Medi-Cal Billing Option	93.778	(30,607)
Medi-Cal Administrative Activities Program	97.036	(418,139)
Total Schedule of Expenditures of Federal Awards		$ 11,573,148

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Perris Union High School District
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Perris Union High School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 28 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Perris Union High School District
Perris, California

Report on Compliance for Each Major Federal Program

We have audited Perris Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's (the District) major Federal programs for the year ended June 30, 2018. Perris Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Perris Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perris Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perris Union High School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 28, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Perris Union High School District
Perris, California

Report on State Compliance

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Perris Union High School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Perris Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 28, 2018

Schedule of Findings and Questioned Costs

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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