

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2005**



**PALM SPRINGS UNIFIED SCHOOL DISTRICT  
OF RIVERSIDE COUNTY  
PALM SPRINGS, CALIFORNIA**

**JUNE 30, 2005**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Shari Stewart	President	2007
Donald T. Aikens	Clerk	2007
Gary Jeandron	Member	2005
Michael McCabe	Member	2007
Meredy Shoenberger	Member	2005

**ADMINISTRATION**

Michael Sellwood, Ed.D.	Superintendent
James Novak	Assistant Superintendent, Business Services
Lorraine Becker, Ed.D.	Assistant Superintendent, Educational Services
Mauricio Arellano	Deputy Superintendent, Personnel Services
Craig Borba, Ed.D.	Director of Pupil Personnel Services



# PALM SPRINGS UNIFIED SCHOOL DISTRICT

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Palm Springs Unified School District  
Palm Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Springs Unified School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2004-05 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Palm Springs Unified School District, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 45, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vaminch, Tin, Day & Co., LLP

Rancho Cucamonga, California  
October 21, 2005



# PALM SPRINGS UNIFIED SCHOOL DISTRICT

980 EAST TAHQUITZ CANYON W  
PALM SPRINGS, CALIFORNIA 92262-01  
(760) 416-60  
FAX (760) 416-60

**BOARD OF EDUCATION:** SHARI STEWART, *President* — DONALD T. AIKENS, *Clerk*  
GARY JEANDRON, *Member* — MICHAEL McCABE, *Member* — MEREDY SHOENBERGER, *Member*

This section of Palm Springs Unified School District's (2004-05) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005, with comparative information from 2003-04. 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 Palm Springs Unified School District and its component units using the integrated approach as prescribed by the 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 debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

The Primary unit of the government is the Palm Springs Unified School District.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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### *FINANCIAL HIGHLIGHTS OF THE PAST YEAR*

The District's financial status has remained positive.

- Overall revenues were \$27,935,030 more than expenses.
- Total net assets in governmental activities were recorded at \$169,011,172.
- Measure T was passed by voters in November 2004 approving \$122,000,000.
- The General Fund reported a positive fund balance of \$28,390,986.

### *REPORTING THE DISTRICT AS A WHOLE*

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

The *Statement of Net Assets* 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 assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses are the District's *operating results*. Since the 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 Assets* and the *Statement of Activities*, we present the District activities as follows:

***Governmental activities*** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, and the on-going effort to 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.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005**

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### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### ***Fund Financial Statements***

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

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

### ***THE DISTRICT AS TRUSTEE***

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statement of Fiduciary Net Assets*. 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.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$169.0 million for the fiscal year ended June 30, 2005, an increase of \$20.9 million, or 14.1 percent over the prior year. Of this amount, \$36.0 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Current and other assets	\$ 98.9	\$ 70.1
Capital assets	212.8	211.5
<b>Total Assets</b>	<b>311.7</b>	<b>281.6</b>
<b>Liabilities</b>		
Current liabilities	11.6	10.8
Long-term debt	131.1	122.7
<b>Total Liabilities</b>	<b>142.7</b>	<b>133.5</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	82.4	89.5
Restricted	50.6	32.0
Unrestricted	36.0	26.6
<b>Total Net Assets</b>	<b>\$ 169.0</b>	<b>\$ 148.1</b>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

*Changes in Net Assets*

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. 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**

(Amounts in millions)

	Governmental Activities	
	2005	2004
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3.3	\$ 2.8
Operating grants and contributions	35.8	33.4
Capital grants and contributions	0.1	12.3
General revenues:		
Unrestricted	80.1	76.4
Property taxes	38.8	47.3
Other general revenues	38.4	15.8
<b>Total Revenues</b>	<u>196.5</u>	<u>188.0</u>
<b>Expenses</b>		
Instruction-related	124.7	112.9
Student support services	15.9	15.4
Administration	9.2	10.5
Maintenance and operations	18.7	17.7
Other	7.1	8.6
<b>Total Expenses</b>	<u>175.6</u>	<u>165.1</u>
<b>Change in Net Assets</b>	<u>\$ 20.9</u>	<u>\$ 22.9</u>

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

### *Governmental Activities*

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was \$196.5 million, an increase of \$20.9 million, or 14.1 percent over the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was \$38.8 million because the cost was paid by those who benefited from the programs (\$3.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$35.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$118.5 million in State funds and other revenues, like interest, and general entitlements.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's five largest functions – instruction related, student support services, administration, maintenance and operations, and other activities. 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**

(Amounts in millions)

	Total Net Cost of Services	
	2005	2004
Instruction-related	98.5	\$ 77.0
Student support services	5.3	5.2
Administration	7.0	9.1
Maintenance and operations	18.7	17.2
Other activities	7.0	8.2
<b>Totals</b>	<b>\$ 136.5</b>	<b>\$ 116.7</b>

### **THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$88.4 million, which is an increase of \$27.9 million from last year.

### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 28, 2005. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 45.)



# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

At June 30, 2005, the District had \$212.8 million in a broad range of capital assets, including land, buildings, furniture and equipment, and construction in progress. This amount represents a net increase (including additions, deductions, and depreciation) of \$1.3 million, or .6 percent, over last year. Depreciation expense of \$6.2 million was allocated to governmental activities during 2004-05.

**Table 4**

(Amounts in millions)

	Governmental Activities	
	2005	2004
Land	\$ 7.8	\$ 7.8
Construction in progress	2.8	19.0
Land improvements	0.5	
Buildings and improvements	199.5	182.6
Equipment	2.2	2.1
<b>Totals</b>	<b>\$ 212.8</b>	<b>\$ 211.5</b>

This year's additions of approximately \$7.4 million, construction of new and modernization of existing school sites, and equipment required for the operation of schools and support services.

#### *Long-Term Debt*

At the end of this year, the District had \$128.2 million in general obligation bonds outstanding versus \$119.0 million last year, an increase of .11 percent. Unpaid accumulated vacation of \$.7 million and \$2.2 million of supplemental early retirement plan are also included:

**Table 5**

(Amounts in millions)

	Governmental Activities	
	2005	2004
General obligation bonds	\$ 128.2	\$ 119.0
Accumulated vacation	0.7	0.7
Capital lease obligations	-	0.1
Supplmental early retirement plan	2.2	2.9
<b>Totals</b>	<b>\$ 131.1</b>	<b>\$ 122.7</b>

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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### *SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-05 ARE NOTED BELOW:*

- The District completed 17 classrooms and four restroom modular buildings at five sites costing approximately \$2.6 million.
- Two new web communications towers were installed costing \$366,000.
- The District spent \$880,000 to remodel the existing building used to house the technical information services and special education departments.
- Negotiations were settled with bargaining units for additional three-year contracts.

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

In considering the District Budget for the 2005-06 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income projections of 3% increased student enrollment along with Cost of Living Adjustments (COLA) and deficit reductions.
2. Developer fee collections are based on new housing units to be constructed for ongoing collections.
3. State categorical programs include COLA increases.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten	31:1	1,804
Grades one through three	20:1	5,712
Grades four and five	31:1	4,017
Grades six through twelve	29.5:1	12,824

The major changes to expenditure items specifically addressed in the budget are:

1. Employee step and column increases.
2. Staffing allocation based on enrollment growth.

### *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 Evelyn Hernandez, Director of Fiscal Services, at Palm Springs Unified School District, 980 E. Tahquitz Canyon Way, Suite 204, Palm Springs, California 92262.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 84,613,543
Receivables	13,953,397
Stores inventories	329,501
Capital assets, net of accumulated depreciation	212,793,784
<b>Total Assets</b>	<u>311,690,225</u>
<b>LIABILITIES</b>	
Accounts payable	6,485,337
Deferred revenue	4,041,152
Current loans	1,053,298
Current portion of long-term obligations	5,107,264
Noncurrent portion of long-term obligations	125,992,002
<b>Total Liabilities</b>	<u>142,679,053</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	82,369,122
Restricted for:	
Debt service	7,498,071
Capital projects	24,574,980
Educational programs	18,509,629
Unrestricted	36,059,370
<b>Total Net Assets</b>	<u>\$ 169,011,172</u>

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

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# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction	\$106,789,957	\$ 424,076	\$ 20,556,057	\$ 21,917	\$ (85,787,907)
Instruction-related activities:					
Supervision of instruction	5,683,748	151,205	3,865,922	-	(1,666,621)
Instructional library, media, and technology	1,547,575	-	15,759	-	(1,531,816)
School site administration	10,689,407	13,338	1,207,705	-	(9,468,364)
Pupil services:					
Home-to-school transportation	3,054,557	-	2,273,149	-	(781,408)
Food services	6,553,361	2,498,546	3,934,005	-	(120,810)
All other pupil services	6,312,120	29,704	1,876,455	-	(4,405,961)
General administration:					
Data processing	1,926,031	-	1,074,913	-	(851,118)
All other general administration	7,320,131	145,800	1,021,108	-	(6,153,223)
Plant services	18,721,822	20,442	-	-	(18,701,380)
Ancillary services	1,233,269	-	-	-	(1,233,269)
Interest on long-term debt	5,800,649	-	-	-	(5,800,649)
Other outgo	14,850	-	-	-	(14,850)
<b>Total Governmental Activities</b>	<b>\$175,647,477</b>	<b>\$ 3,283,111</b>	<b>\$ 35,825,073</b>	<b>\$ 21,917</b>	<b>(136,517,376)</b>
<b>General revenues and subventions</b>					
					29,272,080
					9,549,927
					80,106,470
					1,668,470
					36,788,533
					<b>157,385,480</b>
					<b>20,868,104</b>
					<b>148,143,068</b>
					<b>\$ 169,011,172</b>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 33,126,134	\$ 23,035,260	\$ 10,683,515
Receivables	12,413,856	167,594	265,836
Due from other funds	2,125,179	37,968	5,565,763
Stores inventory	194,707	-	-
<b>Total Assets</b>	<b>\$ 47,859,876</b>	<b>\$ 23,240,822</b>	<b>\$ 16,515,114</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	5,092,560	216,658	785,146
Due to other funds	10,524,100	12,928	367,968
Deferred revenue	3,852,230	-	-
<b>Total Liabilities</b>	<b>19,468,890</b>	<b>229,586</b>	<b>1,153,114</b>
<b>FUND BALANCES</b>			
Reserved for:			
Stores inventory	194,707	-	-
Other reservations	18,609,629	23,011,236	-
Unreserved:			
Designated	9,586,650	-	15,362,000
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balances</b>	<b>28,390,986</b>	<b>23,011,236</b>	<b>15,362,000</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,859,876</b>	<b>\$ 23,240,822</b>	<b>\$ 16,515,114</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 17,768,598	\$ 84,613,507
1,091,789	13,939,075
4,946,584	12,675,494
134,794	329,501
<u>\$ 23,941,765</u>	<u>\$ 111,557,577</u>
352,882	6,447,246
1,798,227	12,703,223
188,922	4,041,152
<u>2,340,031</u>	<u>23,191,621</u>
134,794	329,501
-	41,620,865
13,968,869	38,917,519
7,498,071	7,498,071
<u>21,601,734</u>	<u>88,365,956</u>
<u>\$ 23,941,765</u>	<u>\$ 111,557,577</u>

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**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

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**Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 88,365,956</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$289,195,457	
Accumulated depreciation is	<u>(76,401,673)</u>	
<b>Net Capital Assets</b>		<b>212,793,784</b>
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term debt is recognized when it is incurred.		(2,026,362)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		977,060
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	128,200,000	
Capital leases payable	11,623	
Supplemental early retirement plan	2,213,039	
Compensated absences (vacations)	<u>674,604</u>	
<b>Total Long-Term Liabilities</b>		<b>(131,099,266)</b>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$169,011,172</u></b>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>
<b>REVENUES</b>			
Revenue limit sources	\$ 108,202,094	\$ -	\$ -
Federal sources	15,669,933	-	-
Other State sources	23,515,910	-	-
Other local sources	15,081,016	445,255	12,809,359
<b>Total Revenues</b>	<u>162,468,953</u>	<u>445,255</u>	<u>12,809,359</u>
<b>EXPENDITURES</b>			
Current			
Instruction	99,169,130	-	-
Instruction-related activities:			
Supervision of instruction	5,390,840	-	-
Instructional library, media, and technology	1,547,575	-	-
School site administration	10,388,554	-	-
Pupil services:			
Home-to-school transportation	3,054,557	-	-
Food services	380,828	-	-
All other pupil services	6,059,975	-	-
General administration:			
Data processing	1,926,031	-	-
All other general administration	6,944,778	-	849,037
Plant services	16,562,004	-	1,130,478
Facility acquisition and construction	682,558	866,460	5,434,658
Ancillary services	1,233,269	-	-
Other outgo	14,850	-	-
Debt service			
Principal	-	-	-
Interest and other	62,300	197,829	-
<b>Total Expenditures</b>	<u>153,417,249</u>	<u>1,064,289</u>	<u>7,414,173</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>9,051,704</u>	<u>(619,034)</u>	<u>5,395,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	330,000	-	-
Other sources	-	12,504,745	-
Transfers out	(2,014,721)	(4,211)	(330,000)
<b>Net Financing Sources (Uses)</b>	<u>(1,684,721)</u>	<u>12,500,534</u>	<u>(330,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,366,983	11,881,500	5,065,186
<b>Fund Balance - Beginning</b>	21,024,003	11,129,736	10,296,814
<b>Fund Balance - Ending</b>	<u>\$ 28,390,986</u>	<u>\$ 23,011,236</u>	<u>\$ 15,362,000</u>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 527,095	\$ 108,729,189
3,911,931	19,581,864
2,926,587	26,442,497
<u>13,386,211</u>	<u>41,721,841</u>
<u>20,751,824</u>	<u>196,475,391</u>
1,949,489	101,118,619
292,908	5,683,748
-	1,547,575
300,853	10,689,407
-	3,054,557
6,172,533	6,553,361
252,145	6,312,120
-	1,926,031
429,411	8,223,226
742,639	18,435,121
454,126	7,437,802
-	1,233,269
-	14,850
3,290,000	3,290,000
5,265,291	5,525,420
<u>19,149,395</u>	<u>181,045,106</u>
<u>1,602,429</u>	<u>15,430,285</u>
2,040,849	2,370,849
-	12,504,745
(21,917)	(2,370,849)
<u>2,018,932</u>	<u>12,504,745</u>
3,621,361	27,935,030
17,980,373	60,430,926
<u>\$ 21,601,734</u>	<u>\$ 88,365,956</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005**

**Total Net Change in Fund Balances - Governmental Funds** **\$27,935,030**  
**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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

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

Capital outlays	\$ 7,437,802	
Depreciation expense	<u>(6,150,550)</u>	
Net Expense Adjustment		1,287,252

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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 and special termination benefits used was greater than the amounts earned by \$733,929.

733,929

Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

(12,500,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

3,290,000

Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

91,990

Interest on long-term debt 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 net result of two factors.

(367,219)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net change in assets of the internal service fund is reported with governmental activities.

397,122

**Change in Net Assets of Governmental Activities**

\$20,868,104

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

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	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 2,060,495
Receivables	14,322
Due from other funds	27,867
<b>Total Current Assets</b>	<u>2,102,684</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	38,091
Due to other funds	138
Claim Liabilities	1,087,395
<b>Total Current Liabilities</b>	<u>1,125,624</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 977,060</u>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 1,753,328
<b>OPERATING EXPENSES</b>	
Professional and contract services	1,391,037
Supplies and materials	614
<b>Total Operating Expenses</b>	<u>1,391,651</u>
<b>Operating Income</b>	<u>361,677</u>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>35,445</u>
Change in Net Assets	397,122
<b>Total Net Assets - Beginning</b>	<u>579,938</u>
<b>Total Net Assets - Ending</b>	<u>\$ 977,060</u>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 1,753,328
Cash payments to suppliers for goods and services	(614)
Cash payments for other operating expenses	(1,020,589)
Net Cash Provided for Operating Activities	<u>732,125</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	35,445
Net Cash Provided from Investing Activities	<u>35,445</u>
Net Increase in Cash and Cash Equivalents	767,570
Cash and Cash Equivalents - Beginning	1,292,925
Cash and Cash Equivalents - Ending	<u>\$ 2,060,495</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 361,677
Changes in assets and liabilities:	
Receivables	(10,145)
Due from other funds	(7,038)
Accounts payable	19,276
Due to other funds	(461)
Claim liabilities	368,816
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 732,125</u>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ <u>903,572</u>
<b>LIABILITIES</b>	
Due to student groups	\$ <u>903,572</u>

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



# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Palm Springs Unified School District was formed in 1948 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 K - 12 as mandated by the State and/or Federal agencies. The District operates fifteen elementary schools, four middle schools, three high schools, one continuation high school, an adult education program, and an alternative education program.

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 the 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 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. The District has no component units.

#### Other Related Entities

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with two joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

- Riverside Schools' Insurance Authority (RSIA)
- Riverside Employer/Employees' Partnership (REEP)

#### 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:

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Building Fund** The Building Fund is used to account for proceeds from bond issuances to be used for the acquisition, construction, or improvement of major capital facilities.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Adult Education Fund** The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Special Reserve Retiree Benefits Fund** The Special Reserve Retiree Benefits Funds is used to account for resources committed to fund the future obligation of retiree health benefits.

**Special Reserve Non-Capital Fund** The Special Reserve Non-Capital Fund is used to account for specific revenue sources set aside by the District.

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board designated construction projects.

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains the following debt service fund:

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects funds:

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a self-insurance worker's compensation fund that is accounted for in an internal service fund.

**Fiduciary Fund** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is comprised of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for 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.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program. 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. 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.

Net assets should be reported as restricted when constraints placed on net asset use 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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**Governmental Funds** All governmental funds are accounted for using a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**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. For the District, available means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, 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.

**Deferred Revenue** Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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Certain grants received that have not met eligibility requirements are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred 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. Principal and interest on long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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 financial statement of net assets. The valuation basis for general capital assets are 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.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 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 column of the statement of net assets.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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### **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 financial statements. 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.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary 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 funds.

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

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2005 for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer/Trustee, which have been set aside to repay the notes.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

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### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available. The government-wide financial statements reports \$50,582,680 of restricted net assets.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on 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.

### **Budgetary Data**

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

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

### **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.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an Amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

### New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation, that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.



# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 86,674,002
Fiduciary funds	903,572
Total Deposits and Investments	<u>\$ 87,577,574</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 1,643,461
Cash in revolving	100,000
Investments	85,834,113
Total Deposits and Investments	<u>\$ 87,577,574</u>

#### Policies and Practices

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

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

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### 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 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 manages its exposure to interest rate risk by investing in the County pool.

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
County Pool	<u>\$ 85,678,286</u>	7/1/2005

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Maturity	Minimum Legal Rating	Rating as of June 30, 2005	Fair Value
County Pool	7/1/2005	Not Required	AAA	<u>\$ 85,678,286</u>

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2005, the District maintained cash deposits in the amount of \$3,180,237 with three different financial institutions. Of the deposit balances, amounts on deposit up to \$100,000 are covered by Federal Deposit Insurance Corporation (FDIC) insurance at each institution. The deposits in excess of \$100,000 at anyone institution are collateralized with securities held by the pledging financial institutions' trust departments or agents, but not in the Districts name and are therefore considered collateralized risk deposits.

Uninsured and collateralized with securities held by the pledging financial institution's trust departments or agents, but not in the name of the District	<u>\$ 2,969,709</u>
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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 3,064,025	\$ -	\$ -	\$ 694,139	\$ -	\$ 3,758,164
State Government						
Apportionment	4,630,029	-	-	45,053	-	4,675,082
Categorical aid	835,598	-	-	127,198	-	962,796
Lottery	1,583,287	-	-	-	-	1,583,287
Local Government						
Interest	353,160	167,594	65,931	64,062	14,322	665,069
Other Local Sources	1,947,757	-	199,905	161,337	-	2,308,999
<b>Total</b>	<u>\$ 12,413,856</u>	<u>\$ 167,594</u>	<u>\$ 265,836</u>	<u>\$ 1,091,789</u>	<u>\$ 14,322</u>	<u>\$ 13,953,397</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 7,782,871	\$ -	\$ -	\$ 7,782,871
Construction in progress	18,992,015	2,569,639	18,795,624	2,766,030
Total Capital Assets Not Being Depreciated	<u>26,774,886</u>	<u>2,569,639</u>	<u>18,795,624</u>	<u>10,548,901</u>
Capital Assets Being Depreciated				
Land improvements	-	528,723	-	528,723
Buildings and improvements	248,841,018	22,351,013	-	271,192,031
Furniture and equipment	6,141,751	784,051	-	6,925,802
Total Capital Assets Being Depreciated	<u>254,982,769</u>	<u>23,663,787</u>	<u>-</u>	<u>278,646,556</u>
Less Accumulated Depreciation				
Land improvements	-	5,287	-	5,287
Buildings and improvements	66,223,715	5,487,008	-	71,710,723
Furniture and equipment	4,027,408	658,255	-	4,685,663
Total Accumulated Depreciation	<u>70,251,123</u>	<u>6,150,550</u>	<u>-</u>	<u>76,401,673</u>
Governmental Activities Capital Assets, Net	<u>\$ 211,506,532</u>	<u>\$ 20,082,876</u>	<u>\$ 18,795,624</u>	<u>\$ 212,793,784</u>

Depreciation expense charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 5,671,338
All other general administration	192,511
Plant services	286,701
Total Depreciation Expenses Governmental Activities	<u>\$ 6,150,550</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts allocated between funds for various purposes. Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 330,000	\$ 1,795,041	\$ 138	\$ 2,125,179
Building Fund	-	-	37,968	-	-	37,968
Capital Facilities Fund	5,552,815	12,928	-	19	-	5,565,762
Non-Major Governmental Funds	4,944,934	-	-	1,651	-	4,946,585
Internal Service Fund	26,350	-	-	1,518	-	27,868
<b>Total</b>	<b>\$10,524,099</b>	<b>\$ 12,928</b>	<b>\$ 367,968</b>	<b>\$ 1,798,229</b>	<b>\$ 138</b>	<b>\$12,703,362</b>

**Operating Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 330,000	\$ -	\$ 330,000
Non-Major Governmental Funds	2,014,721	4,211	-	21,917	2,040,849
<b>Total</b>	<b>\$ 2,014,721</b>	<b>\$ 4,211</b>	<b>\$ 330,000</b>	<b>\$ 21,917</b>	<b>\$ 2,370,849</b>

The General Fund transferred to the Child Development Fund.	\$ 62,298
The General Fund transferred to the Cafeteria Fund.	30,212
The General Fund transferred to the Deferred Maintenance Fund.	572,211
The General Fund transferred to the Special Reserve Other Fund.	1,350,000
The Building Fund transferred to the Bond Interest and Redemption Fund.	4,211
The Capital Facilities Fund transferred to the General Fund.	330,000
The County School Facilities Fund transferred to the Special Reserve Capital Outlay Fund.	21,917
<b>Total</b>	<b>\$ 2,370,849</b>

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

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 965,920	\$ 141,836	\$ 159,505	\$ 233,171	\$ 38,091	\$ 1,538,523
State apportionment	810,859	-	-	-	-	810,859
Salaries and benefits	1,473,481	-	-	118,472	-	1,591,953
Construction	-	74,822	625,641	1,239	-	701,702
Other	1,842,300	-	-	-	-	1,842,300
Total	<u>\$5,092,560</u>	<u>\$ 216,658</u>	<u>\$ 785,146</u>	<u>\$ 352,882</u>	<u>\$ 38,091</u>	<u>\$ 6,485,337</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2005, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 3,108,386	\$ 6,882	\$ 3,115,268
State categorical aid	743,844	182,040	925,884
Total	<u>\$ 3,852,230</u>	<u>\$ 188,922</u>	<u>\$ 4,041,152</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2004, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,690,000, which matured on July 6, 2004. On July 6, 2004, the District issued \$1,780,000 Tax and Revenue Anticipation Notes bearing interest at 1.6 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable in May 2005. By June 30, 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$1,780,000 and related accrued interest and cash held in trust are not included in these financial statements.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2004	Additions	Payments	Outstanding June 30, 2005
07/06/03	0.90%	7/6/2004	\$ 3,690,000	\$ -	\$ 3,690,000	\$ -
07/06/04	1.60%	07/06/05	-	1,780,000	-	1,780,000
			<u>\$ 3,690,000</u>	<u>\$ 1,780,000</u>	<u>\$ 3,690,000</u>	<u>\$ 1,780,000</u>

**NOTE 9 - LONG-TERM LIABILITIES**

**Long-Term Debt Summary**

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	\$ 118,990,000	\$ 12,500,000	\$ 3,290,000	\$ 128,200,000	\$ 3,690,000
Accumulated vacation - net	737,274	-	62,670	674,604	674,604
Capital leases	103,613	-	91,990	11,623	11,623
Supplemental early retirement program	2,884,298	49,815	721,074	2,213,039	731,037
	<u>\$ 122,715,185</u>	<u>\$ 12,549,815</u>	<u>\$ 4,165,734</u>	<u>\$ 131,099,266</u>	<u>\$ 5,107,264</u>

Payments on general obligation bonds are made in the Bond Interest and Redemption fund.

Payments for accumulated vacation, capital leases and supplemental early retirement program are made in the General Fund.

**Bonded Debt**

Issuances during the 2004-2005 fiscal year:

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### 2004 General Obligation Refunding Bonds

On October 13, 2004, the District issued \$12,500,000, in General Obligation Bonds – 2000 Election, Series E. The bonds mature on August 1, 2033, with interest rate yields varying between 1.80 and 4.625 percent. The Bonds were issued to refund the previously issued 1991 Series A, General Obligation Bonds.

#### Total Outstanding Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2005	
				Outstanding July 1, 2004	Issued		
07/15/97	02/01/22	5.0	\$10,000,000	\$ 8,470,000	\$ -	\$ 8,195,000	
07/15/98	02/01/23	5.0	10,000,000	8,615,000	-	8,330,000	
02/01/01	02/01/30	3.0-4.95	10,000,000	9,525,000	-	9,350,000	
06/01/01	02/01/20	2.75-4.90	19,510,000	17,145,000	-	16,395,000	
11/01/01	08/01/31	2.05-4.7	20,000,000	19,165,000	-	18,835,000	
07/16/02	02/01/19	1.6-4.75	9,265,000	8,255,000	-	7,810,000	
10/02/02	02/01/21	1.08-4.4	14,470,000	13,350,000	-	12,775,000	
08/07/02	08/01/33	1.47-4.95	10,000,000	9,850,000	-	9,695,000	
04/09/03	08/01/33	1.05-4.0	20,000,000	20,000,000	-	19,895,000	
05/19/04	02/01/18	2-4.75	4,615,000	4,615,000	-	4,420,000	
10/29/04	08/01/33	1.8-4.65	12,500,000	-	12,500,000	-	
				\$118,990,000	\$12,500,000	\$3,290,000	\$128,200,000

### Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 3,690,000	\$ 5,896,067	\$ 9,586,067
2007	4,040,000	5,591,938	9,631,938
2008	4,205,000	5,421,686	9,626,686
2009	4,410,000	5,242,994	9,652,994
2010	4,635,000	5,052,890	9,687,890
2011-2015	26,780,000	22,127,472	48,907,472
2016-2020	32,550,000	15,594,473	48,144,473
2021-2025	18,900,000	9,043,116	27,943,116
2026-2030	18,360,000	4,859,358	23,219,358
2031-2035	10,630,000	784,991	11,414,991
Total	\$ 128,200,000	\$ 79,614,985	\$ 207,814,985

### Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$674,604.



**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**Capital Leases**

The District's liability on lease agreements with options to purchase are summarized below:

	<u>Portables</u>
Balance, July 1, 2004	\$ 109,066
Additions	-
Payments	96,831
Balance, June 30, 2005	<u>\$ 12,235</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u> 2006	<u>Lease</u> <u>Payment</u>
	\$ 12,235
Less: Amount Representing Interest	(612)
Present Value of Minimum Lease Payments	<u>\$ 11,623</u>

**Supplemental Employee Retirement Plan (SERP)**

The District offered an early retirement incentive to qualified employees under a qualified plan of section 401 A of the Internal Revenue Code. Eligibility requirements are that the employees attain age 55 with at least ten years of service with the District. The retiree receives an annual benefit payment equal to five percent of their final annual salary schedule. This benefit is paid out annual to the retiree in equal installments. Currently, there are 55 employees participating in the plan and the District's obligation to those retirees as of June 30, 2005 is \$2,213,039.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventory	194,707	-	-	134,794	329,501
Legally restricted balance	18,509,629	23,011,236	-	-	41,520,865
<b>Total Reserved</b>	<b>18,804,336</b>	<b>23,011,236</b>	<b>-</b>	<b>134,794</b>	<b>41,950,366</b>
<b>Unreserved</b>					
<b>Designated</b>					
Economic uncertainties	7,358,148	-	-	9,698,174	17,056,322
Other designation	2,228,502	-	15,362,000	4,270,695	21,861,197
<b>Total Designated</b>	<b>9,586,650</b>	<b>-</b>	<b>15,362,000</b>	<b>13,968,869</b>	<b>38,917,519</b>
<b>Undesignated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,498,071</b>	<b>7,498,071</b>
<b>Total Unreserved</b>	<b>9,586,650</b>	<b>-</b>	<b>15,362,000</b>	<b>21,466,940</b>	<b>46,415,590</b>
<b>Total</b>	<b>\$28,390,986</b>	<b>\$23,011,236</b>	<b>\$15,362,000</b>	<b>\$21,601,734</b>	<b>\$88,365,956</b>

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Currently, 85 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. During the year, expenditures of \$1,212,643 were recognized for retirees' health care benefits.

**NOTE 12 - RISK MANAGEMENT - CLAIMS**

**Description**

Beginning July 1, 2003, the District's risk financing activities for Workers' Compensation are recorded in the Internal Service Fund. The purpose of the Internal Service Fund is to administer the District's self-insured portion of its workers' compensation insurance program.

The District participates in various public entity risk pools for health coverage and property exposures (see Note 15).

**Claims Liabilities**

The District records an estimated claims liability claims filed against it. Claims liabilities are based on estimates of the ultimate costs of reported claims. An estimate for claims incurred, but not yet reported is included.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### Unpaid Claim Liabilities

The Internal Service Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities of the District from July 1, 2003 to June 30, 2005:

	Workers' Compensation
Liability Balance, June 30, 2003	\$ -
Claims and changes in estimates	2,139,256
Claims payments	<u>(1,420,677)</u>
Liability Balance, June 30, 2004	718,579
Claims and changes in estimates	1,391,038
Claims payments	<u>(1,022,222)</u>
Liability Balance, June 30, 2005	<u>\$ 1,087,395</u>
Assets available to pay claims at June 30, 2005	<u>\$ 2,102,684</u>

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

#### STRS

##### Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$6,298,188, \$6,131,986, and \$6,046,538, respectively, and equal 100 percent of the required contributions for each year.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **PERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003, were \$2,342,915, \$2,208,408, and \$624,309, respectively, and equal 100 percent of the required contributions for each year.

#### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,448,353 (4.517 percent of salaries subject to STRS). No contributions were made to PERS for the year ended June 30, 2005. 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 Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

#### Litigation

The District is not currently a party to any legal proceedings.

#### Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	Remaining Construction Commitment	Expected Date of Completion
Della Lindley	\$ 385,902	06/30/06
Nellie Coffman	550,435	06/30/06
	<u>\$ 936,337</u>	

### NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Riverside Schools' Insurance Authority (RSIA), and Riverside Employer/Employees' Partnership for Benefits (REEP) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA's 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.

During the year ended June 30, 2005, the District made payments of \$723,618 and \$17,675,715 to RSIA and REEP, respectively, for health, worker's compensation and property liability coverage.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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**NOTE 16 - SUBSEQUENT EVENTS**

The District issued \$17,300,000 of 2005 General Obligation Refunding Bonds dated November 3, 2005. The bonds mature on February 1, 2023, and yield 2.70 to 4.375 percent interest. The bonds were issued to refund certain outstanding general obligation bonds used for construction of school facilities.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$107,344,273	\$107,801,795	\$108,202,094	\$ 400,299
Federal sources	14,502,025	19,473,323	15,669,933	(3,803,390)
Other State sources	15,829,619	21,053,852	23,515,910	2,462,058
Other local sources	13,142,296	15,095,086	15,081,016	(14,070)
<b>Total Revenues [1]</b>	<b>150,818,213</b>	<b>163,424,056</b>	<b>162,468,953</b>	<b>(955,103)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	92,687,922	106,433,184	99,169,130	7,264,054
Instruction-related activities:				
Supervision of instruction	5,538,601	5,959,701	5,390,840	568,861
Instructional library, media, and technology	1,589,993	1,710,880	1,547,575	163,305
School site administration	10,673,300	11,484,793	10,388,554	1,096,239
Pupil services:				
Home-to-school transportation	2,986,248	3,218,197	3,054,557	163,640
Food services	372,311	401,231	380,828	20,403
All other pupil services	5,924,456	6,384,624	6,059,975	324,649
General administration:				
Data processing	1,877,494	2,009,528	1,926,031	83,497
All other general administration	6,769,766	7,245,848	6,944,778	301,070
Plant services	17,692,179	17,900,152	16,562,004	1,338,148
Facility acquisition and construction	239,136	241,947	682,558	(440,611)
Ancillary services	856,294	899,416	1,233,269	(333,853)
Other outgo	185,110	14,850	14,850	-
Interest	-	62,300	62,300	-
<b>Total Expenditures [1]</b>	<b>147,392,810</b>	<b>163,966,651</b>	<b>153,417,249</b>	<b>10,549,402</b>
<b>Excess (Deficiency) of Revenues</b>	<b>3,425,403</b>	<b>(542,595)</b>	<b>9,051,704</b>	<b>9,594,299</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,000,000	330,000	330,000	-
Transfers out	-	(664,721)	(2,014,721)	2,679,442
<b>Net Financing Sources (Uses)</b>	<b>1,000,000</b>	<b>(334,721)</b>	<b>(1,684,721)</b>	<b>2,679,442</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,425,403</b>	<b>(877,316)</b>	<b>7,366,983</b>	<b>12,273,741</b>
<b>Fund Balance - Beginning</b>	<b>21,024,003</b>	<b>21,024,003</b>	<b>21,024,003</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,449,406</b>	<b>\$ 20,146,687</b>	<b>\$ 28,390,986</b>	<b>\$ 12,273,741</b>

[1] Actual revenues and expenditures include an adjustment for on-behalf payments in accordance with GASB 24. By not including the adjustment, actual revenues would be \$159,020,600. Actual expenditures would be \$149,968,896, which does not exceed the budgeted expenditures.

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*SUPPLEMENTARY INFORMATION*

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**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Adult Education - Priority 1-3, Adult Basic	84.002A	14508	\$ 74,344
Adult Education - Priority 5, Adult Secondary	84.002A	03978	3,662
Adult Education - English Literacy and Civics No Child Left Behind Act (2001)	84.002A	04109	25,000
Title I, Part A - Basic Grants Low Income and Neglected [1]	84.010	04329	7,102,855
Title I, Part B - Reading First Program	84.357	04328	1,151,676
Title I, Part A, School Improvement, Assistance and Intervention Teams	84.010	14579	169,026
Title I - Local Improvement Plan	84.011	03067	170,803
Title I - Program Improvement	84.010A	14581	48,009
Title I - Even Start Family Literacy	84.213	04331	172,849
Title I - Comprehensive School Reform Demonstration	84.010	03966	237,582
Title II, Part A - Teacher Quality	84.367	04341	194,071
Title II, Part B - Mathematics and Science Partnerships	84.366	14512	15,090
Title II, Part D - Enhancing Technology	84.318	04335	176,749
Title III - Immigrant Education	84.365	04346	120,127
Title III - Limited English Proficiency	84.365	00084	532,115
Title IV, Part A - Safe and Drug-Free Schools	84.186	04347	123,056
Title V, Part A - Innovative Education Strategies	84.298A	04354	96,200
NCLB: Title VI, Flexibility and Accountability - (ELDT) Funding	84.000	14363	61,685
California Alternate Performance Assessment (CAPA)	84.000	14488	320
Statewide Student Identifier	[3]	14498	17,413
Vocational and Applied Technology Education Act - Carl D. Perkins			
Title IIC - Adult Education	84.048	03577	144,755
Title IIC - Secondary Education	84.048	03578	6,534
Subtotal			<u>10,643,921</u>
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Education Act			
Local Assistance	84.027	03379	2,623,000
Federal Preschool, Part B	84.173	03430	36,463
Preschool Local Entitlement	84.027A	03682	54,780
Personnel Staff Development	84.027A	03613	5,673
Low Incidence Entitlement	84.027A	03459	1,566
Subtotal			<u>2,721,482</u>

[1] Major Program.

[2] Pass-Through Identifying Number Not Available.

[3] CFDA Number Not Available.

See accompanying note to supplementary information.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program [1]	10.555	03396	\$ 2,996,399
Basic School Breakfast [1]	10.553	03390	9,190
Especially Needy Breakfast [1]	10.553	03390	589,758
Meal Supplements [1]	10.559	03158	11,417
Food Distribution	10.550	03534	262,021
Forest Reserve	10.665	10044	1,905
Subtotal			<u>3,870,690</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education (CDE):			
LEA Medi-Cal Billing Option	93.778	00013	142,993
Medical Administrative Activities Program	93.778	00013	212,451
Child Development - Federal Child Care	93.596	03609	189,826
Child Development - Quality Improvement Activities	93.575	03942	1,968
Child Development - School Age Child Care	93.575	03941	3,552
Passed through Riverside County Office of Education (RCOE):			
Head Start	93.600	00016	1,533,331
Subtotal			<u>2,084,121</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior Reserve Officer Training Program	12.000	[2]	103,405
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Title II - Delinquency Prevention and Intervention	16.540	22200	158,245
Total Federal Programs			<u>\$19,581,864</u>

[1] Major Program.

[2] Pass-Through Identifying Number Not Available.

[3] CFDA Number Not Available.

See accompanying note to supplementary information.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	Second Period Report (Revised)	Annual Report (Revised)
<b>ELEMENTARY</b>		
Kindergarten	1,501	1,511
First through third	5,135	5,164
Fourth through sixth	5,166	5,169
Seventh and eighth	3,303	3,299
Home and hospital	2	2
Special education	369	378
Total Elementary	15,476	15,523
<b>SECONDARY</b>		
Regular classes	5,409	5,313
Continuation education	162	157
Opportunity schools	196	189
Home and hospital	3	3
Special education	216	213
Total Secondary	5,986	5,875
Total K-12	21,462	21,398
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	11	12
Not concurrently enrolled	239	257
Total Classes for Adults	250	269
Grand Total	21,712	21,667
		<b>Hours of Attendance</b>
<b>SUMMER SCHOOL</b>		
Elementary		233,633
High school		188,040
Total Hours		421,673

See accompanying note to supplementary information.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2005**

Grade Level	1982-83	1986-87	2004-05	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	175	Complied
Grades 1 - 3	49,280	50,400	51,960	180	175	Complied
Grades 4 - 5	49,280	54,000	54,060	180	175	Complied
Grades 6 - 8	49,280	54,000	57,860	180	N/A	Complied
Grades 9 - 12	64,218	64,800	64,910	180	N/A	Complied

See accompanying note to supplementary information.



**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF REVENUES AND EXPENDITURES  
PROPOSITION 10 GRANTS  
FOR THE YEAR ENDED JUNE 30, 2005**

	First 5	
	Agreement # 04-9432 07/01/04- 06/30/05	Agreement # 04-9297 07/01/04- 06/30/05
<b>REVENUES</b>		
State categorical aid	\$ 216,523	\$ 373,362
Interest	124	734
	<u>\$ 216,647</u>	<u>\$ 374,096</u>
<b>EXPENDITURES</b>		
Personnel and benefits	180,011	149,034
Operating expenditures	36,636	225,061
	<u>\$ 216,647</u>	<u>\$ 374,095</u>

See accompanying note to supplementary information.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>	<u>Capital Facilities</u>
<b>FUND BALANCE</b>		
Balance, June 30, 2005, Unaudited Actuals	\$ 27,988,559	\$ 15,216,996
Increase in:		
Receivables	402,427	-
Accounts payable	-	145,004
Total Fund Balance, June 30, 2005, Audited Financial Statement	<u>\$ 28,390,986</u>	<u>\$ 15,362,000</u>

See accompanying note to supplementary information.

# PALM SPRINGS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 <sup>1</sup>	2005	2004	2003
<b>GENERAL FUND</b>				
Revenues	\$163,972,895	\$162,468,953	\$146,852,343	\$147,277,381
Other sources	225,000	330,000	1,350,000	1,000,000
Total Revenues and Other Sources	164,197,895	162,798,953	148,202,343	148,277,381
Expenditures	163,473,196	153,417,249	144,825,152	145,707,658
Other uses and transfers out	500,000	2,014,721	-	21,446
Total Expenditures and Other Uses	163,973,196	155,431,970	144,825,152	145,729,104
<b>INCREASE IN FUND BALANCE</b>	\$ 224,699	\$ 7,366,983	\$ 3,377,191	\$ 2,548,277
<b>ENDING FUND BALANCE</b>	\$ 28,615,685	\$ 28,390,986	\$ 21,024,003	\$ 17,646,812
<b>AVAILABLE RESERVES<sup>2</sup></b>	\$ 13,490,946	\$ 15,922,811	\$ 11,941,566	\$ 13,216,412
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	8.2%	10.2%	8.2%	9.1%
<b>LONG-TERM DEBT</b>	N/A	\$131,099,266	\$122,715,185	\$122,443,019
<b>AVERAGE DAILY ATTENDANCE AT P-2<sup>4</sup></b>	22,089	21,462	21,061	20,709

The General Fund balance has increased by \$10,744,174 over the past two years. The fiscal year 2005-2006 budget projects a further increase of \$224,699 (.8 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 the past three years and anticipates incurring an operating surplus during the 2005-2006 fiscal year. Total long-term debt has increased by \$8,656,247 over the past two years.

Average daily attendance has increased by 753 over the past two years. Additional growth of 627 ADA is anticipated during fiscal year 2005-2006.

<sup>1</sup> Budget 2006 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund (other than capital outlay).

<sup>3</sup> On-behalf payments of \$3,448,353 have been excluded from the calculation of available reserves for the fiscal year ended June 30, 2005.

<sup>4</sup> Excludes Adult Education.

See accompanying note to supplementary information.

# **PALM SPRINGS UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

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

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

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

#### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Schedule of Revenues and Expenditures – Proposition 10 Grants**

This schedule provides information to the Riverside County Children and Families Commission for each of the District's Proposition 10 Grants.

#### **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.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2005**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>ASSETS</b>				
Deposits and investments	\$ 642,565	\$ 171,095	\$ 1,218,675	\$ 1,285,438
Receivables	84,910	203,500	743,521	9,631
Due from other funds	-	62,776	33,808	-
Stores inventory	-	-	134,794	-
<b>Total Assets</b>	<b>\$ 727,475</b>	<b>\$ 437,371</b>	<b>\$ 2,130,798</b>	<b>\$ 1,295,069</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	45,221	145,484	160,938	1,239
Due to other funds	283,310	213,795	1,301,103	-
Deferred revenue	181,939	6,983	-	-
<b>Total Liabilities</b>	<b>510,470</b>	<b>366,262</b>	<b>1,462,041</b>	<b>1,239</b>
<b>FUND BALANCES</b>				
Reserved for:				
Stores inventory	-	-	134,794	-
Unreserved:				
Designated	217,005	71,109	533,963	1,293,830
Undesignated, reported in:				
Debt service funds	-	-	-	-
<b>Total Fund Balances</b>	<b>217,005</b>	<b>71,109</b>	<b>668,757</b>	<b>1,293,830</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 727,475</b>	<b>\$ 437,371</b>	<b>\$ 2,130,798</b>	<b>\$ 1,295,069</b>

See accompanying note to supplementary information - unaudited.

Special Reserve Retiree Benefits Fund	Special Reserve Non-Capital Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 2,837,793	\$ 4,087,511	\$ -	\$ 27,450	\$ 7,498,071	\$ 17,768,598
20,535	29,579	19	94	-	1,091,789
-	4,850,000	-	-	-	4,946,584
-	-	-	-	-	134,794
<u>\$ 2,858,328</u>	<u>\$ 8,967,090</u>	<u>\$ 19</u>	<u>\$ 27,544</u>	<u>\$ 7,498,071</u>	<u>\$ 23,941,765</u>
-	-	-	-	-	352,882
-	-	19	-	-	1,798,227
-	-	-	-	-	188,922
-	-	19	-	-	<u>2,340,031</u>
-	-	-	-	-	134,794
2,858,328	8,967,090	-	27,544	-	13,968,869
-	-	-	-	7,498,071	7,498,071
<u>2,858,328</u>	<u>8,967,090</u>	<u>-</u>	<u>27,544</u>	<u>7,498,071</u>	<u>21,601,734</u>
<u>\$ 2,858,328</u>	<u>\$ 8,967,090</u>	<u>\$ 19</u>	<u>\$ 27,544</u>	<u>\$ 7,498,071</u>	<u>\$ 23,941,765</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2005**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 527,095	\$ -	\$ -	\$ -
Federal sources	109,540	195,627	3,606,764	-
Other State sources	262,835	1,473,216	238,746	823,249
Other local sources	123,732	582,784	2,876,250	18,937
<b>Total Revenues</b>	<b>1,023,202</b>	<b>2,251,627</b>	<b>6,721,760</b>	<b>842,186</b>
<b>EXPENDITURES</b>				
Current				
Instruction	531,044	1,418,445	-	-
Instruction-related activities:				
Supervision of instruction	-	292,908	-	-
School site administration	300,812	41	-	-
Pupil services:				
Food services	-	25,857	6,146,676	-
All other pupil services	2,708	249,437	-	-
General administration:				
All other general administration	81,747	47,079	300,585	-
Plant services	49,284	231,591	7,693	454,071
Facility acquisition and construction	-	45,061	-	409,065
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>965,595</b>	<b>2,310,419</b>	<b>6,454,954</b>	<b>863,136</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>57,607</b>	<b>(58,792)</b>	<b>266,806</b>	<b>(20,950)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	62,298	30,212	572,211
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>62,298</b>	<b>30,212</b>	<b>572,211</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>57,607</b>	<b>3,506</b>	<b>297,018</b>	<b>551,261</b>
<b>Fund Balance - Beginning</b>	<b>159,398</b>	<b>67,603</b>	<b>371,739</b>	<b>742,569</b>
<b>Fund Balance - Ending</b>	<b>\$ 217,005</b>	<b>\$ 71,109</b>	<b>\$ 668,757</b>	<b>\$ 1,293,830</b>

See accompanying note to supplementary information - unaudited.



Special Reserve Retiree Benefits Fund	Special Reserve Non-Capital Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,095
-	-	-	-	-	3,911,931
-	-	21,917	-	106,624	2,926,587
55,834	93,230	-	5,627	9,629,817	13,386,211
<u>55,834</u>	<u>93,230</u>	<u>21,917</u>	<u>5,627</u>	<u>9,736,441</u>	<u>20,751,824</u>
-	-	-	-	-	1,949,489
-	-	-	-	-	292,908
-	-	-	-	-	300,853
-	-	-	-	-	6,172,533
-	-	-	-	-	252,145
-	-	-	-	-	429,411
-	-	-	-	-	742,639
-	-	-	-	-	454,126
-	-	-	-	3,290,000	3,290,000
-	-	-	-	5,265,291	5,265,291
-	-	-	-	8,555,291	19,149,395
<u>55,834</u>	<u>93,230</u>	<u>21,917</u>	<u>5,627</u>	<u>1,181,150</u>	<u>1,602,429</u>
-	1,350,000	-	21,917	4,211	2,040,849
-	-	(21,917)	-	-	(21,917)
-	1,350,000	(21,917)	21,917	4,211	2,018,932
55,834	1,443,230	-	27,544	1,185,361	3,621,361
2,802,494	7,523,860	-	-	6,312,710	17,980,373
<u>\$ 2,858,328</u>	<u>\$ 8,967,090</u>	<u>\$ -</u>	<u>\$ 27,544</u>	<u>\$ 7,498,071</u>	<u>\$ 21,601,734</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED  
JUNE 30, 2005**

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**NOTE 1 - PURPOSE OF SCHEDULES**

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is 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 Balance.

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***INDEPENDENT AUDITORS' REPORTS***

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

Governing Board  
Palm Springs Unified School District  
Palm Springs, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District as of and for the year ended June 30, 2005, which collectively comprise the Palm Springs Unified School District's basic financial statements and have issued our report thereon dated October 21, 2005. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Palm Springs Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Palm Springs Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Palm Springs Unified School District in a separate letter dated October 21, 2005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannind, Tai, Day & Co., LLP

Rancho Cucamonga, California  
October 21, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Palm Springs Unified School District  
Palm Springs, California

**Compliance**

We have audited the compliance of Palm Springs Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. Palm Springs Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Palm Springs Unified School District's management. Our responsibility is to express an opinion on Palm Springs Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Palm Springs Unified 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. Our audit does not provide a legal determination of Palm Springs Unified School District's compliance with those requirements.

In our opinion, Palm Springs Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of Palm Springs Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Palm Springs Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vannin, Tui, Day & Co., LLP*

Rancho Cucamonga, California  
October 21, 2005





**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Palm Springs Unified School District  
 Palm Springs, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. 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 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Palm Springs Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Palm Springs Unified School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
<b>Instructional Time:</b>		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
<b>Class Size Reduction Program:</b>		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
District or charter schools with only one school servicing K-3	4	Not Applicable
<b>Instructional Materials:</b>		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
<b>Ratios of Administrative Employees to Teachers</b>		
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
<b>School Construction Funds:</b>		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes

Based on our audit, we found that for the items tested, the Palm Springs Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Palm Springs Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Palm Springs Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vannink, Tai, Day & Co., LLP*

Rancho Cucamonga, California  
October 21, 2005

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.357</u>	<u>Title I, Part B - Reading First Program</u>
<u>84.027</u>	<u>Special Education Cluster</u>
<u>93.600</u>	<u>Head Start</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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None reported.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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None reported.

**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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None reported.



**PALM SPRINGS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

*Financial Statement Findings*

2004-1    30000

***SEPARATION OF DUTIES***

**Finding**

There appears to be a lack of separation of duties at several of the Associated Student Body's (ASB). The lack of separation of duties includes the following:

- Bookkeepers have complete control of all cash collections, issue receipts for cash collection, reconcile the bank accounts, and post transactions to the general ledger.

**Recommendation**

To provide for an adequate separation of duties, the same person should not have custody of assets, have responsibility for recording transactions, and have reconciliation responsibilities. Although, it is difficult to have a separation of duties at the ASB's, we suggest that the District make attempts to ensure that the separation of duties is maintained at the best possible level.

**Current Status**

Not implemented. See current year management letter.

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October 21 2005

Governing Board  
Palm Springs Unified School District  
Palm Springs, California

In planning and performing our audit of the financial statements of Palm Springs Unified School District, for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the combined and combining financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 21, 2005 on the government-wide financial statements of Palm Springs Unified School District.

### ***SEPARATION OF DUTIES***

#### **Finding**

There appears to be a lack of separation of duties at several of the Associated Student Body's (ASB). The lack of separation of duties includes the following:

- Bookkeepers have complete control of all cash collections, issue receipts for cash collection, reconcile the bank accounts, and post transactions to the general ledger.

#### **Recommendation**

To provide for an adequate separation of duties, the same person should not have custody of assets, have responsibility for recording transactions, and have reconciliation responsibilities. Although, it is difficult to have a separation of duties at the ASB's, we suggest that the District make attempts to ensure that the separation of duties is maintained at the best possible level.

## ***SITE CASH***

### **Findings**

The following deficiencies exist with regard to the internal control over cash collections and deposits:

- Prenumbered receipts/logs are either incomplete or are not being used to provide accountability for fee collections.
- Donations are being collected without proper board approval and without a designated charity for the collections to be given to.
- Deposits to the District are not being made on a timely and consistent basis.

### **Recommendation**

The District should assist the sites in implementing proper internal control over cash collections, and deposits.

### **Findings**

The following deficiencies exist with regard to the internal control over petty cash:

- Disbursements out of petty cash funds did not have the proper approval.
- Proper forms are not being utilized when issuing cash advances for purchases out of petty cash funds.
- The petty cash account could not be reconciled due to lack of records for purchases made.

### **Recommendation**

The District Office should assist the sites in implementing proper internal control over petty cash disbursements, approvals, and recordkeeping.

### **Finding**

In reviewing the cafeteria change fund balances at sites visited it was noted that the change appeared to be much higher than necessary for the site.

### **Recommendation**

The District should reevaluate each sites cafeteria change fund amount to determine whether amounts being held for the change fund are reasonable and necessary for each particular site.

**Findings**

The following deficiencies exist with regard to the safeguarding of cash:

- Cafeteria sales drawer was kept unlocked and unsupervised during the day.
- Deposit bags from the previous day cafeteria sales were kept in an unlocked drawer throughout the day.
- Deposits (checks) being sent to the District through District mail were unsecured allowing for easy access to third party checks.

**Recommendation**

The District should assist the sites & departments in implementing proper controls over the safeguarding of cash receipts.

***RAMON ALTERNATIVE EDUCATION***

**Finding**

Although the independent study contract contains all required elements, some areas are left blank and not filled out completely.

**Recommendation**

The agreement should be completely filled out before obtaining signatures from the appropriate parties.

***SITE CASH***

***Katherine Finchey and Edward Wenlaff***

**Finding**

Prenumbered receipts are not being written to record the receipt of funds for various cash collections, such as donations, lost books, and field trips at the school site.

**Recommendation**

The District should instruct all sites to complete prenumbered receipts for all cash collections. This will strengthen the controls over cash collections and provide an audit trail for site cash collections.

**Finding**

The librarian is not forwarding the fees for lost books to the district, but rather to the Parent Teacher Group.

**Recommendation**

The District should instruct all sites to deposit all monies collected from/for district purposes to the district office only. Library books are property of the district and monies collected for their replacement should go to the District.

***DESERT SANDS MIDDLE SCHOOL*****Finding**

Deposits are not being made timely, and this could result in cash balances being maintained at the site, which severely decreases the safeguarding of the asset.

**Recommendation**

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

***ASSOCIATED STUDENT BODY******Cathedral City High School*****Findings**

During our review of the petty cash bank account, the following was noted:

1. The monthly bank statement was not reconciled to the imprest amount for our test month of February.
2. The petty cash account is not timely replenished because receipts are not turned in to the petty cash clerk.
3. Blank checks are issued for purchases

**Recommendations**

1. Petty cash bank statements should be reconciled on a timely basis and any differences should be investigated
2. All receipts should be turned in along with a request for reimbursement, if applicable, and account should be replenished in a timely manner.
3. Checks should always contain a payee name.

**Finding**

Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

## Recommendations

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis-This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

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

Yours very truly,



Matthew S. Miller  
of VAVRINEK, TRINE, DAY & CO., LLP

MSM/ph

