



**PALM SPRINGS
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2001



PALM SPRINGS UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
PALM SPRINGS, CALIFORNIA
JUNE 30, 2001

GOVERNING BOARD

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ADMINISTRATION

William E. Diendrich, Ph.D.	Superintendent
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Lorraine Becker, Ed.D.	Assistant Superintendent, Educational Services
Michael Sellwood, Ed.D.	Deputy Superintendent, Personnel Services
Craig Borba, Ed.D.	Director of Pupil Personnel Services

ORGANIZATION

The Palm Springs Unified School District is comprised of an area located in Riverside County. It encompasses the incorporated cities of Palm Springs, Desert Hot Springs, Rancho Mirage, Cathedral City, and the unincorporated communities of Thousand Palms and North Palm Springs. The Palm Springs Unified School District was formed in 1948, combining the Palm Springs High School District and the Desert School District. The District is currently operating fourteen elementary schools, four middle schools, three high schools, two continuation high schools, an adult education program, and Ramon Academy.



PALM SPRINGS UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Palm Springs Unified School District
Palm Springs, California

We have audited the accompanying general-purpose and combining financial statements of the Palm Springs Unified School District, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. 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 opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Palm Springs Unified School District at June 30, 2001, and the results of its operations 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 19, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vavunick, Trinc, Day, Co., LLP

Rancho Cucamonga, California
October 19, 2001

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 372,424	\$ 817,532	\$ -	\$ 385,100
Investments	17,461,412	3,094,186	3,733,118	8,409,838
Accounts receivable	7,796,374	798,001	31,809	160,696
Due from other funds	3,640,925	1,722,282	-	8,592,956
Stores inventory	237,910	135,974	-	-
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	\$ 29,509,045	\$ 6,567,975	\$ 3,764,927	\$ 17,548,590
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	5,730,115	255,198	-	946,337
Due to other funds	8,403,111	1,605,820	-	3,947,232
Deferred revenue	1,078,580	357,535	-	607,671
Due to student groups	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	15,211,806	2,218,553	-	5,501,240
FUND EQUITY				
Fund balances				
Reserved	4,768,832	142,514	-	-
Unreserved				
Designated	9,528,407	4,206,908	-	12,047,350
Undesignated	-	-	3,764,927	-
Total Fund Equity	14,297,239	4,349,422	3,764,927	12,047,350
Total Liabilities and Fund Equity	\$ 29,509,045	\$ 6,567,975	\$ 3,764,927	\$ 17,548,590

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

Fiduciary Fund Types Agency	Account Group	Total (Memorandum Only)
	General Long-Term Debt	
\$ 697,925	\$ -	\$ 2,272,981
-	-	32,698,554
-	-	8,786,880
-	-	13,956,163
-	-	373,884
-	3,764,927	3,764,927
-	75,140,096	75,140,096
<u>\$ 697,925</u>	<u>\$ 78,905,023</u>	<u>\$ 136,993,485</u>

67,672	-	6,999,322
-	-	13,956,163
-	-	2,043,786
630,253	-	630,253
-	78,905,023	78,905,023
<u>697,925</u>	<u>78,905,023</u>	<u>102,534,547</u>

-	-	4,911,346
-	-	25,782,665
-	-	3,764,927
-	-	34,458,938
<u>\$ 697,925</u>	<u>\$ 78,905,023</u>	<u>\$ 136,993,485</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 60,652,239	\$ 409,363	\$ -
Local sources	27,990,584	-	-
Total Revenue Limit Sources	88,642,823	409,363	-
Federal revenues	7,859,924	3,614,358	-
Other state revenues	27,393,253	2,121,078	120,799
Other local revenues	5,958,854	2,940,309	6,302,290
Tuition and transfers	5,599,748	-	-
Total Revenues	135,454,602	9,085,108	6,423,089
EXPENDITURES			
Current Expenditures			
Certificated salaries	64,995,299	891,224	-
Classified salaries	17,960,571	2,778,339	-
Employee benefits	20,573,440	1,059,409	-
Books and supplies	5,780,975	2,972,915	-
Services and operating expenditures	13,415,226	407,786	-
Other outgo	(497,473)	514,856	-
Capital outlay	4,868,327	1,581,504	-
Debt service - principal	-	-	1,610,000
Debt service - interest and other	-	-	3,486,998
Total Expenditures	127,096,365	10,206,033	5,096,998
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	8,358,237	(1,120,925)	1,326,091
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	112,392	729,132	-
Operating transfers out	(729,132)	-	-
Other sources	226,282	-	-
Total Other Financing Sources/(Uses)	(390,458)	729,132	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	7,967,779	(391,793)	1,326,091
FUND BALANCE, BEGINNING OF YEAR	6,329,460	4,741,215	2,438,836
PRIOR PERIOD ADJUSTMENT	-	-	-
RESTATED BEGINNING FUND BALANCE	6,329,460	4,741,215	2,438,836
FUND BALANCE, END OF YEAR	\$ 14,297,239	\$ 4,349,422	\$ 3,764,927

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

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 61,061,602
-	27,990,584
-	<u>89,052,186</u>
-	11,474,282
1,927,587	31,562,717
4,895,473	20,096,926
-	5,599,748
<u>6,823,060</u>	<u>157,785,859</u>
-	65,886,523
419,510	21,158,420
137,668	21,770,517
26,192	8,780,082
1,779,621	15,602,633
-	17,383
17,369,156	23,818,987
-	1,610,000
-	3,486,998
<u>19,732,147</u>	<u>162,131,543</u>
<u>(12,909,087)</u>	<u>(4,345,684)</u>
4,699,505	5,541,029
(4,811,897)	(5,541,029)
10,000,000	10,226,282
<u>9,887,608</u>	<u>10,226,282</u>
(3,021,479)	5,880,598
16,728,750	30,238,261
(1,659,921)	(1,659,921)
<u>15,068,829</u>	<u>28,578,340</u>
<u>\$ 12,047,350</u>	<u>\$ 34,458,938</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 61,453,460	\$60,652,239	\$ (801,221)
Local sources	26,997,351	27,990,584	993,233
Total Revenue Limit Sources	<u>88,450,811</u>	<u>88,642,823</u>	<u>192,012</u>
Federal revenues	8,733,636	7,859,924	(873,712)
Other state revenues	26,831,070	27,393,253	562,183
Other local revenues	5,326,155	5,958,854	632,699
Tuition and transfers	5,190,680	5,599,748	409,068
Total Revenues	<u>134,532,352</u>	<u>135,454,602</u>	<u>922,250</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	65,803,180	64,995,299	807,881
Classified salaries	18,729,613	17,960,571	769,042
Employee benefits	20,789,983	20,573,440	216,543
Books and supplies	10,545,496	5,780,975	4,764,521
Services and operating expenditures	13,095,077	13,415,226	(320,149)
Other outgo	(451,228)	(497,473)	46,245
Capital outlay	7,034,156	4,868,327	2,165,829
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>135,546,277</u>	<u>127,096,365</u>	<u>8,449,912</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(1,013,925)</u>	<u>8,358,237</u>	<u>9,372,162</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	112,392	112,392	-
Operating transfers out	(585,537)	(729,132)	(143,595)
Other sources	226,282	226,282	-
Total Other Financing Sources/(Uses)	<u>(246,863)</u>	<u>(390,458)</u>	<u>(143,595)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(1,260,788)</u>	<u>7,967,779</u>	<u>9,228,567</u>
FUND BALANCE, BEGINNING OF YEAR	6,329,460	6,329,460	-
PRIOR PERIOD ADJUSTMENT	-	-	-
RESTATED BEGINNING FUND BALANCE	<u>6,329,460</u>	<u>6,329,460</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,068,672</u>	<u>\$14,297,239</u>	<u>\$ 9,228,567</u>

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 489,974	\$ 409,363	\$ (80,611)	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>489,974</u>	<u>409,363</u>	<u>(80,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,335,186	3,614,358	279,172	-	-	-
2,477,849	2,121,078	(356,771)	-	120,799	120,799
2,889,405	2,940,309	50,904	-	6,302,290	6,302,290
-	-	-	-	-	-
<u>9,192,414</u>	<u>9,085,108</u>	<u>(107,306)</u>	<u>-</u>	<u>6,423,089</u>	<u>6,423,089</u>
957,161	891,224	65,937	-	-	-
2,808,863	2,778,339	30,524	-	-	-
956,189	1,059,409	(103,220)	-	-	-
3,058,083	2,972,915	85,168	-	-	-
383,204	407,786	(24,582)	-	-	-
473,228	514,856	(41,628)	-	-	-
1,472,127	1,581,504	(109,377)	-	-	-
-	-	-	-	1,610,000	(1,610,000)
-	-	-	-	3,486,998	(3,486,998)
<u>10,108,855</u>	<u>10,206,033</u>	<u>(97,178)</u>	<u>-</u>	<u>5,096,998</u>	<u>(5,096,998)</u>
(916,441)	(1,120,925)	(204,484)	-	1,326,091	1,326,091
585,537	729,132	143,595	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>585,537</u>	<u>729,132</u>	<u>143,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
(330,904)	(391,793)	(60,889)	-	1,326,091	1,326,091
4,741,215	4,741,215	-	2,438,836	2,438,836	-
-	-	-	-	-	-
<u>4,741,215</u>	<u>4,741,215</u>	<u>-</u>	<u>2,438,836</u>	<u>2,438,826</u>	<u>-</u>
<u>\$ 4,410,311</u>	<u>\$ 4,349,422</u>	<u>\$ (60,889)</u>	<u>\$ 2,438,836</u>	<u>\$ 3,764,927</u>	<u>\$ 1,326,091</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Local sources	-	-	-
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	1,927,587	1,927,587	-
Other local revenues	5,010,432	4,895,473	(114,959)
Tuition and transfers	-	-	-
Total Revenues	<u>6,938,019</u>	<u>6,823,060</u>	<u>(114,959)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	411,686	419,510	(7,824)
Employee benefits	132,797	137,668	(4,871)
Books and supplies	22,173	26,192	(4,019)
Services and operating expenditures	1,499,829	1,779,621	(279,792)
Other outgo	-	-	-
Capital outlay	18,344,507	17,369,156	975,351
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>20,410,992</u>	<u>19,732,147</u>	<u>678,845</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(13,472,973)</u>	<u>(12,909,087)</u>	<u>563,886</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	3,295,750	4,699,505	1,403,755
Operating transfers out	(3,408,142)	(4,811,897)	(1,403,755)
Other sources	10,000,000	10,000,000	-
Total Other Financing Sources/(Uses)	<u>9,887,608</u>	<u>9,887,608</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(3,585,365)</u>	<u>(3,021,479)</u>	<u>563,886</u>
FUND BALANCE, BEGINNING OF YEAR	16,728,750	16,728,750	-
PRIOR PERIOD ADJUSTMENT	-	(1,659,921)	(1,659,921)
RESTATE BEGINNING FUND BALANCE	<u>16,728,750</u>	<u>15,068,829</u>	<u>(1,659,921)</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,143,385</u>	<u>\$ 12,047,350</u>	<u>\$ (1,096,035)</u>

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

Total (Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 61,943,434	\$ 61,061,602	\$ (881,832)
<u>26,997,351</u>	<u>27,990,584</u>	<u>993,233</u>
88,940,785	89,052,186	111,401
12,068,822	11,474,282	(594,540)
31,236,506	31,562,717	326,211
13,225,992	20,096,926	6,870,934
<u>5,190,680</u>	<u>5,599,748</u>	<u>409,068</u>
<u>150,662,785</u>	<u>157,785,859</u>	<u>7,123,074</u>
66,760,341	65,886,523	873,818
21,950,162	21,158,420	791,742
21,878,969	21,770,517	108,452
13,625,752	8,780,082	4,845,670
14,978,110	15,602,633	(624,523)
22,000	17,383	4,617
26,850,790	23,818,987	3,031,803
-	1,610,000	(1,610,000)
-	3,486,998	(3,486,998)
<u>166,066,124</u>	<u>162,131,543</u>	<u>3,934,581</u>
<u>(15,403,339)</u>	<u>(4,345,684)</u>	<u>11,057,655</u>
3,993,679	5,541,029	1,547,350
(3,993,679)	(5,541,029)	(1,547,350)
<u>10,226,282</u>	<u>10,226,282</u>	<u>-</u>
<u>10,226,282</u>	<u>10,226,282</u>	<u>-</u>
(5,177,057)	5,880,598	11,057,655
30,238,261	30,238,261	-
-	(1,659,921)	(1,659,921)
<u>30,238,261</u>	<u>28,578,340</u>	<u>(1,659,921)</u>
<u>\$ 25,061,204</u>	<u>\$ 34,458,938</u>	<u>\$ 9,397,734</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Palm Springs Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, (except that a complete historical cost record of fixed assets has not been maintained). The Palm Springs Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Fiduciary Funds

- Agency Funds are used to account for assets of others for which the District acts as agent.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

Account Group

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the long-term liabilities associated with governmental funds are accounted for in the account group of the District.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. A public hearing must be conducted to receive comments prior to adoption.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

F. Stores Inventory

Inventory is valued at cost utilizing the weighted average method. Inventory in the applicable Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. (The noncurrent portion of the liability is recognized in the general long-term debt account group.)

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, therefore, 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.

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes for the District. The District recognizes tax revenues when received.

J. Deferred Revenue

Deferred revenue arises when a 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, 2001**

K. Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 – CASH

Cash at June 30, 2001, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Cash on hand and in banks	\$ 273,947	\$ -	\$ 1,068,804	\$ 1,342,751	\$ 1,499,448
Cash in revolving fund	26,053	-	-	26,053	56,540
Cash awaiting deposit	-	-	-	-	716,993
Total	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 1,068,804</u>	<u>\$ 1,368,804</u>	<u>\$ 2,272,981</u>

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #3 – INVESTMENTS

Investments at June 30, 2001, held on behalf of the Palm Springs Unified School District are presented below:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	<u>\$ 32,698,554</u>	<u>\$ 32,734,522</u>

A. Authorized Investments

The District is authorized 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.

B. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Riverside. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Federal Government					
Categorical aid	\$ 1,424,821	\$ 609,494	\$ -	\$ -	\$ 2,034,315
State Government					
Apportionment	-	21,297	-	-	21,297
Categorical aid	413,755	13,419	-	-	427,174
Other state	2,238,342	75,157	-	-	2,313,499
Local Government					
Interest	1,115,628	29,723	31,809	119,407	1,296,567
Other Local Sources	2,603,828	48,911	-	41,289	2,694,028
Total	<u>\$ 7,796,374</u>	<u>\$ 798,001</u>	<u>\$ 31,809</u>	<u>\$ 160,696</u>	<u>\$ 8,786,880</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2001, are as follows:

Funds	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 3,640,925	\$ 8,403,111
Adult Education	9,995	80,941
Cafeteria	26,255	1,249,189
Child Development	231,069	275,690
Deferred Maintenance	26,042	-
Special Reserve (Non Capital)	1,428,921	-
Building	266,260	500,697
Capital Facilities	-	97,470
State School Building	1,614,975	1,573,595
County School Facilities	-	3,157
Special Reserve (Capital Projects)	6,711,721	1,772,313
Total	<u>\$13,956,163</u>	<u>\$13,956,163</u>

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2001, are as follows:

The General Fund transferred to the Deferred Maintenance Fund.	\$ 511,952
The General Fund transferred to the Child Development Fund.	217,180
The Building Fund transferred to the State School Building Fund.	1,964,566
The Capital Facilities Fund transferred to the State School Building Fund.	959,951
The State School Building Fund transferred to the Capital Facilities Fund.	115,067
The Special Reserve (Capital Projects) Fund transferred to the General Fund.	112,392
The Special Reserve (Capital Projects) Fund transferred to the State School Building Fund.	1,659,921
Total	<u>\$5,541,029</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Agency	Total
Federal financial assistance	\$ 176,318	\$ -	\$ -	\$ -	\$ 176,318
Salaries and benefits	1,924,203	83,302	7,489	-	2,014,994
Construction projects	-	26,328	572,109	-	598,437
Other	3,629,594	145,568	366,739	67,672	4,209,573
Total	<u>\$ 5,730,115</u>	<u>\$ 255,198</u>	<u>\$ 946,337</u>	<u>\$ 67,672</u>	<u>\$ 6,999,322</u>

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Total
Federal financial assistance	\$ 604,940	\$ -	\$ -	\$ 604,940
State categorical aid	342,483	316,609	-	659,092
Other local	131,157	40,926	607,671	779,754
Total	<u>\$1,078,580</u>	<u>\$ 357,535</u>	<u>\$ 607,671</u>	<u>\$2,043,786</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #8 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects
Reserved				
Revolving cash	\$ 50,000	\$ 6,540	\$ -	\$ -
Stores inventory	237,910	135,974	-	-
Restricted programs	4,480,922	-	-	-
Total Reserved	<u>4,768,832</u>	<u>142,514</u>	<u>-</u>	<u>-</u>
Unreserved				
Designated				
Economic uncertainties	4,584,960	206,926	-	-
Other designations	4,943,447	3,999,982	-	12,047,350
Total Designated	<u>9,528,407</u>	<u>4,206,908</u>	<u>-</u>	<u>12,047,350</u>
Undesignated	-	-	3,764,927	-
Total Unreserved	<u>9,528,407</u>	<u>4,206,908</u>	<u>3,764,927</u>	<u>12,047,350</u>
Total	<u>\$ 14,297,239</u>	<u>\$ 4,349,422</u>	<u>\$ 3,764,927</u>	<u>\$ 12,047,350</u>

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds	\$ 64,900,000	\$ 29,510,000	\$ 19,515,000	\$ 74,895,000
Accumulated vacation - net	500,774	61,595	-	562,369
Postemployment benefits	1,472,068	408,749	294,211	1,586,606
Capital leases	2,213,101	133,993	486,046	1,861,048
	<u>\$ 69,085,943</u>	<u>\$ 30,114,337</u>	<u>\$ 20,295,257</u>	<u>78,905,023</u>
Amount currently available and reserved for retirement of general long-term debt				
Bond interest and redemption				<u>3,764,927</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 75,140,096</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

B. Bonded Debt

2000 General Obligation Bonds, Series A

In February 2001, the District issued \$10,000,000, 2000 General Obligation Bonds, Series A. The bonds mature on February 1, 2030, with interest yield of 3.00 to 4.95 percent. Net proceeds from the issuance will be used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2001 the principal balance outstanding was \$10,000,000.

2001 General Obligation Refunding Bonds

In June 2001, the District Issued \$19,510,000, 2001 General Obligation Refunding Bonds. The bonds mature on February 1, 2020, with interest yields from 2.75 to 4.90 percent. The net proceeds from the issuance were used to refund \$17,905,000, of the 1995 General Obligation Bonds, Series C. At June 30, 2001, the principal balance outstanding was \$19,510,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
03/01/93	03/01/18	7.75	\$ 5,000,000	\$ 4,740,000	\$ -	\$ 70,000	\$ 4,670,000
05/01/94	05/01/19	5.85-6.1	10,000,000	8,770,000	-	280,000	8,490,000
05/15/95	02/01/20	5.90-6.13	20,000,000	18,380,000	-	18,380,000	-
06/01/96	02/01/21	5.0-8.0	15,000,000	13,980,000	-	340,000	13,640,000
07/15/97	02/01/22	5.0	10,000,000	9,420,000	-	215,000	9,205,000
07/15/98	02/01/23	5.0	10,000,000	9,610,000	-	230,000	9,380,000
02/01/01	02/01/30	3.00-4.95	10,000,000	-	10,000,000	-	10,000,000
06/01/01	02/01/20	2.75-4.90	19,510,000	-	19,510,000	-	19,510,000
				<u>\$64,900,000</u>	<u>\$29,510,000</u>	<u>\$19,515,000</u>	<u>\$74,895,000</u>

Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest to Maturity	Total
2002	\$ 2,325,000	\$ 3,530,859	\$ 5,855,859
2003	2,135,000	3,697,692	5,832,692
2004	2,255,000	3,584,084	5,839,084
2005	2,395,000	3,469,854	5,864,854
2006	2,520,000	3,354,308	5,874,308
Thereafter	63,265,000	31,902,906	95,167,906
Total	<u>\$74,895,000</u>	<u>\$49,539,703</u>	<u>\$124,434,703</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2001, amounted to \$562,369.

D. 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 ten years of service. Currently, 50 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees premiums are paid. During the year, expenditures of \$294,211 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2001, amounts to \$1,586,606. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2001, multiplied by the number of years of payments remaining.

E. Capital Leases

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

	Portables	Equipment	Construction Lease	Total
Balance, Beginning of Year	\$2,668,868	\$ 5,573	\$ -	\$2,674,441
Additions	151,263	-	3,520,000	3,671,263
Payments	(645,443)	(5,573)	(3,520,000)	(4,171,016)
Balance, End of Year	<u>\$2,174,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,174,688</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2002	\$ 459,722
2003	431,559
2004	431,559
2005	423,837
2006	423,838
Thereafter	4,173
Total	<u>2,174,688</u>
Less: Amount Representing Interest	<u>(313,640)</u>
Present Value of Minimum Lease Payments	<u>\$1,861,048</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #10 – DEFEASED DEBT

In June 2001, the District issued 2001 General Obligation Refunding Bonds of \$19,510,000 (par value) with interest rate yields of 2.75 to 4.90. The Bonds were issued to advance refund the 1995 Series C General Obligation Bonds. The general obligation bonds were issued at par and, after paying issuance costs of \$304,698, the net proceeds were \$19,205,302. The net proceeds from the issuance were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on February 1, 2003. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's combined financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements.

NOTE #11 – 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).

A. 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 2000-2001 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 year ending June 30, 2001, 2000, and 1999 were \$4,880,735, \$4,184,902, and \$3,783,855, respectively, and equal 100 percent of the required contributions for each year.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

B. 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 (prior to January 1, 2001, 7.0 percent of monthly salary over \$133.33 if the member participates in Social Security) 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 2000-2001 was zero. The contribution requirements of the plan members are established by State statute.

C. 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 \$3,319,692 (5.0385 percent of salaries subject to STRS) and \$19,465 (.092 percent of salaries subject to PERS). 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 (J-200). These amounts also have not been recorded in these financial statements.

NOTE #12 – RISK MANAGEMENT

The District's risk management activities are recorded in the General fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. Refer to Note #14 for additional information regarding the JPA's.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #13 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

B. Construction Commitments

As of June 30, 2001, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Raymond Cree Middle School	<u>\$ 1,151,080</u>	11/01/01

C. State School Building Projects

The District is currently involved in various construction and modernization projects funded through the State School Building program. All projects, both ongoing and completed projects, are subject to future audit by the State. These audits may result in adjustments to the State School Building Funds that cannot be determined at this time.

NOTE #14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Desert Schools' Self-Insurance Program for Employees (DSSIPE), Riverside Schools' Insurance Authority (RSIA), and Riverside Employer/Employees' Partnership for Benefits (REEPB) 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, the pools 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.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

A. <u>Entity</u>	DSSIPE	RSIA	REEP
B. <u>Purpose</u>	Operating and maintaining a fully insured program for, but not limited to, worker's compensation.	Property and liability coverage.	Health, life, and vision insurance coverage.
C. <u>Participants</u>	School districts within the Coachella Valley Desert area.	School districts participating within the desert area.	Certain Riverside County school districts.
D. <u>Governing Board</u>	Elected board by the participating district's governing boards.	Representative from each member district.	Representative from each member district.

E. Condensed Audited Financial Information Follows

		<u>June 30, 2001</u>	<u>June 30, 2001</u>	<u>June 30, 2000*</u>
Assets		\$ 4,196,825	\$ 8,623,240	\$ 9,780,571
Liabilities		(609,403)	(3,838,392)	(6,873,737)
	Fund Equity	<u>\$ 3,587,422</u>	<u>\$ 4,784,848</u>	<u>\$ 2,906,834</u>
Revenues		673,561	4,825,810	48,320,008
Expenses		(402,408)	(6,464,130)	(52,168,805)
	Net Increase/(Decrease) in Fund Equity	<u>\$ 271,153</u>	<u>\$ (1,638,320)</u>	<u>\$ (3,848,797)</u>

*Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2001 or 2000, as presented. The District's share of year-end assets, liabilities or fund equity has not been calculated.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #15 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2001, the following District funds exceeded the budgeted amounts in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria	\$ 5,781,281	\$ 6,030,503	\$ 249,222
Child Development	\$ 1,543,642	\$ 1,660,618	\$ 116,976
Deferred Maintenance	\$ 1,493,157	\$ 1,615,589	\$ 122,432
Capital Facilities	\$ 7,097,765	\$ 7,454,001	\$ 356,236
County School Facilities	\$ 2,110,671	\$ 2,484,616	\$ 373,945

NOTE #16 – TAX AND REVENUE ANTICIPATION NOTES

Tax and Revenue Anticipation Notes

On July 3, 2000, the District issued \$7,500,000 Tax and Revenue Anticipation Notes bearing interest at 4.27 percent. Interest and principal were due and payable on July 3, 2001. By May 2001, 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 \$7,500,000 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE #17 – SUBSEQUENT EVENTS

A. Tax and Revenue Anticipation Notes

The District issued \$7,425,000 of Tax And Revenue Anticipation Notes dated July 3, 2001. The notes mature on July 3, 2002, and yield 2.65 percent interest. The notes were sold to supplement cash flow.

Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2002, until 100 percent of principal and interest due is on account in May 2002.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

B. Bond Anticipation Notes

The District issued \$5,000,000 of Bond Anticipation Notes date July 31, 2001. The notes mature on January 5, 2002, and yield 2.55 percent interest. Issuance of the notes will provide funds for short-term financing of the construction of new schools and to improve and repair existing schools of the District, all of which will constitute purposes for which general obligation bonds of the District have been authorized to be issued in the aggregate original principal amount of \$72,500,000 pursuant to a bond election held November 7, 2000. The District currently has \$62,500,000 in authorized but unissued general obligation bonds.

The principal and interest on the notes will be paid from the proceeds of general obligation bonds issued by the District by the maturity date of the Notes of January 15, 2002.

NOTE #18 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*". This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Based on the above criteria, the District is required to adopt the provisions of this statement for the fiscal year ending June 30, 2002. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

NOTE #19 – PRIOR PERIOD ADJUSTMENT

The beginning balance of the State School Building Fund has been adjusted. The adjustment was made based upon the determination by the District that an amount for a prior year account receivable, accrued for funding to be received from the Office of Public School Construction, was inaccurate. The original amount accrued was \$3,779,432. The actual amount received was \$2,119,511, leaving a balance of \$1,659,921. This remaining uncollected balance is the amount of restatement to the beginning fund balance in the State School Building Fund.

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	<u>Adult Education</u>	<u>Cafeteria</u>
ASSETS		
Cash	\$ 5,534	\$ 806,063
Investments	450,683	-
Accounts receivable	81,446	638,713
Due from other funds	9,995	26,255
Stores inventory	-	135,974
Total Assets	<u>\$ 547,658</u>	<u>\$ 1,607,005</u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	24,975	114,656
Due to other funds	80,941	1,249,189
Deferred revenue	316,609	20,853
Total Liabilities	<u>422,525</u>	<u>1,384,698</u>
 FUND EQUITY		
Fund balances		
Reserved	-	140,514
Unreserved		
Designated	125,133	81,793
Total Fund Equity	<u>125,133</u>	<u>222,307</u>
Total Liabilities and Fund Equity	<u>\$ 547,658</u>	<u>\$ 1,607,005</u>

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

<u>Child Development</u>	<u>Deferred Maintenance</u>	<u>Special Reserve</u>	<u>Total</u>
\$ 5,935	\$ -	\$ -	\$ 817,532
93,155	16,396	2,533,952	3,094,186
47,912	10,683	19,247	798,001
231,069	26,042	1,428,921	1,722,282
-	-	-	135,974
<u>\$ 378,071</u>	<u>\$ 53,121</u>	<u>\$ 3,982,120</u>	<u>\$ 6,567,975</u>
80,308	35,259	-	255,198
275,690	-	-	1,605,820
20,073	-	-	357,535
<u>376,071</u>	<u>35,259</u>	<u>-</u>	<u>2,218,553</u>
2,000	-	-	142,514
-	17,862	3,982,120	4,206,908
<u>2,000</u>	<u>17,862</u>	<u>3,982,120</u>	<u>4,349,422</u>
<u>\$ 378,071</u>	<u>\$ 53,121</u>	<u>\$ 3,982,120</u>	<u>\$ 6,567,975</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Adult Education		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 489,974	\$ 409,363	\$ (80,611)
Total Revenue Limit Sources	<u>489,974</u>	<u>409,363</u>	<u>(80,611)</u>
Federal revenues	85,516	77,646	(7,870)
Other state revenues	581,198	264,377	(316,821)
Other local revenues	138,000	151,897	13,897
Total Revenues	<u>1,294,688</u>	<u>903,283</u>	<u>(391,405)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	424,705	394,213	30,492
Classified salaries	131,396	135,235	(3,839)
Employee benefits	87,836	103,859	(16,023)
Books and supplies	424,122	77,192	346,930
Services and operating expenditures	76,859	75,509	1,350
Other outgo	103,575	72,263	31,312
Capital outlay	42,282	41,052	1,230
Total Expenditures	<u>1,290,775</u>	<u>899,323</u>	<u>391,452</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>3,913</u>	<u>3,960</u>	<u>47</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	3,913	3,960	47
FUND BALANCE, BEGINNING OF YEAR	121,173	121,173	-
FUND BALANCE, END OF YEAR	<u>\$ 125,086</u>	<u>\$ 125,133</u>	<u>\$ 47</u>

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

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,069,761	3,356,803	287,042	179,909	179,909	-
206,505	209,563	3,058	1,151,871	1,108,865	(43,006)
2,514,693	2,527,495	12,802	140,277	156,664	16,387
5,790,959	6,093,861	302,902	1,472,057	1,445,438	(26,619)
-	-	-	532,456	497,011	35,445
2,120,027	1,956,770	163,257	557,440	686,334	(128,894)
589,747	607,079	(17,332)	278,606	348,471	(69,865)
2,519,246	2,827,237	(307,991)	102,840	56,610	46,230
156,521	164,414	(7,893)	16,628	28,453	(11,825)
345,740	414,097	(68,357)	23,913	28,496	(4,583)
50,000	60,906	(10,906)	31,759	15,243	16,516
5,781,281	6,030,503	(249,222)	1,543,642	1,660,618	(116,976)
9,678	63,358	53,680	(71,585)	(215,180)	(143,595)
-	-	-	73,585	217,180	143,595
-	-	-	73,585	217,180	143,595
9,678	63,358	53,680	2,000	2,000	-
158,949	158,949	-	-	-	-
\$ 168,627	\$ 222,307	\$ 53,680	\$ 2,000	\$ 2,000	\$ -

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Deferred Maintenance		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	538,275	538,273	(2)
Other local revenues	22,435	19,187	(3,248)
Total Revenues	<u>560,710</u>	<u>557,460</u>	<u>(3,250)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	11,875	11,876	(1)
Services and operating expenditures	133,196	139,410	(6,214)
Other outgo	-	-	-
Capital outlay	1,348,086	1,464,303	(116,217)
Total Expenditures	<u>1,493,157</u>	<u>1,615,589</u>	<u>(122,432)</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(932,447)</u>	<u>(1,058,129)</u>	<u>(125,682)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	511,952	511,952	-
Total Other Financing Sources/(Uses)	<u>511,952</u>	<u>511,952</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(420,495)	(546,177)	(125,682)
FUND BALANCE, BEGINNING OF YEAR	564,039	564,039	-
FUND BALANCE, END OF YEAR	<u>\$ 143,544</u>	<u>\$ 17,862</u>	<u>\$ (125,682)</u>

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

Special Reserve			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 489,974	\$ 409,363	\$ (80,611)
-	-	-	489,974	409,363	(80,611)
-	-	-	3,335,186	3,614,358	279,172
-	-	-	2,477,849	2,121,078	(356,771)
74,000	85,066	11,066	2,889,405	2,940,309	50,904
74,000	85,066	11,066	9,192,414	9,085,108	(107,306)
-	-	-	957,161	891,224	65,937
-	-	-	2,808,863	2,778,339	30,524
-	-	-	956,189	1,059,409	(103,220)
-	-	-	3,058,083	2,972,915	85,168
-	-	-	383,204	407,786	(24,582)
-	-	-	473,228	514,856	(41,628)
-	-	-	1,472,127	1,581,504	(109,377)
-	-	-	10,108,855	10,206,033	(97,178)
74,000	85,066	11,066	(916,441)	(1,120,925)	(204,484)
-	-	-	585,537	729,132	143,595
-	-	-	585,537	729,132	143,595
74,000	85,066	11,066	(330,904)	(391,793)	(60,889)
3,897,054	3,897,054	-	4,741,215	4,741,215	-
\$ 3,971,054	\$ 3,982,120	\$ 11,066	\$ 4,410,311	\$ 4,349,422	\$ (60,889)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	<u>Building</u>	<u>Capital Facilities</u>	<u>State School Building</u>
ASSETS			
Cash	\$ -	\$ 385,100	\$ -
Investments	5,699,660	1,337,743	52,858
Accounts receivable	126,630	22,263	1,517
Due from other funds	266,260	-	1,614,975
Total Assets	<u>\$ 6,092,550</u>	<u>\$ 1,745,106</u>	<u>\$ 1,669,350</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	223,505	448,463	4,566
Due to other funds	500,697	97,470	1,573,595
Deferred revenue	-	607,671	-
Total Liabilities	<u>724,202</u>	<u>1,153,604</u>	<u>1,578,161</u>
FUND EQUITY			
Fund balances			
Unreserved			
Designated	<u>5,368,348</u>	<u>591,502</u>	<u>91,189</u>
Total Fund Equity	<u>5,368,348</u>	<u>591,502</u>	<u>91,189</u>
Total Liabilities and Fund Equity	<u>\$ 6,092,550</u>	<u>\$ 1,745,106</u>	<u>\$ 1,669,350</u>

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

<u>County School Facilities</u>	<u>Special Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ 385,100
585,611	733,966	8,409,838
9,636	650	160,696
-	6,711,721	8,592,956
<u>\$ 595,247</u>	<u>\$ 7,446,337</u>	<u>\$ 17,548,590</u>
269,803	-	946,337
3,157	1,772,313	3,947,232
-	-	607,671
<u>272,960</u>	<u>1,772,313</u>	<u>5,501,240</u>
322,287	5,674,024	12,047,350
<u>322,287</u>	<u>5,674,024</u>	<u>12,047,350</u>
<u>\$ 595,247</u>	<u>\$ 7,446,337</u>	<u>\$ 17,548,590</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Building		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other state revenues	\$ -	\$ -	\$ -
Other local revenues	97,371	155,240	57,869
Tuition and transfers	-	-	-
Total Revenues	<u>97,371</u>	<u>155,240</u>	<u>57,869</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	144,127	137,497	6,630
Capital outlay	9,694,508	8,551,701	1,142,807
Total Expenditures	<u>9,838,635</u>	<u>8,689,198</u>	<u>1,149,437</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(9,741,264)</u>	<u>(8,533,958)</u>	<u>1,207,306</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(2,220,732)	(1,964,566)	256,166
Other sources	10,000,000	10,000,000	-
Total Other Financing Sources/(Uses)	<u>7,779,268</u>	<u>8,035,434</u>	<u>256,166</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(1,961,996)</u>	<u>(498,524)</u>	<u>1,463,472</u>
FUND BALANCE, BEGINNING OF YEAR	5,866,872	5,866,872	-
PRIOR PERIOD ADJUSTMENT	-	-	-
RESTATED BEGINNING FUND BALANCE	<u>5,866,872</u>	<u>5,866,872</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,904,876</u>	<u>\$ 5,368,348</u>	<u>\$ 1,463,472</u>

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

Capital Facilities			State School Building		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ (856,811)	\$ (856,811)	\$ -
4,858,705	4,652,306	(206,399)	17,256	62,827	45,571
-	-	-	-	-	-
<u>4,858,705</u>	<u>4,652,306</u>	<u>(206,399)</u>	<u>(839,555)</u>	<u>(793,984)</u>	<u>45,571</u>
411,686	419,510	(7,824)	-	-	-
132,797	137,668	(4,871)	-	-	-
22,173	26,192	(4,019)	-	-	-
1,349,938	1,636,360	(286,422)	-	-	-
<u>4,221,220</u>	<u>4,274,320</u>	<u>(53,100)</u>	<u>2,323,872</u>	<u>2,064,283</u>	<u>259,589</u>
<u>6,137,814</u>	<u>6,494,050</u>	<u>(356,236)</u>	<u>2,323,872</u>	<u>2,064,283</u>	<u>259,589</u>
<u>(1,279,109)</u>	<u>(1,841,744)</u>	<u>(562,635)</u>	<u>(3,163,427)</u>	<u>(2,858,267)</u>	<u>305,160</u>
115,067	115,067	-	3,180,683	4,584,438	1,403,755
(959,951)	(959,951)	-	(115,067)	(115,067)	-
-	-	-	-	-	-
<u>(844,884)</u>	<u>(844,884)</u>	<u>-</u>	<u>3,065,616</u>	<u>4,469,371</u>	<u>1,403,755</u>
(2,123,993)	(2,686,628)	(562,635)	(97,811)	1,611,104	1,708,915
3,278,130	3,278,130	-	140,006	140,006	-
-	-	-	-	(1,659,921)	(1,659,921)
<u>3,278,130</u>	<u>3,278,130</u>	<u>-</u>	<u>140,006</u>	<u>(1,519,915)</u>	<u>(1,379,909)</u>
<u>\$ 1,154,137</u>	<u>\$ 591,502</u>	<u>\$ (562,635)</u>	<u>\$ 42,195</u>	<u>\$ 91,189</u>	<u>\$ 329,006</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	County School Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other state revenues	\$ 2,784,398	\$ 2,784,398	\$ -
Other local revenues	35,000	22,505	(12,495)
Tuition and transfers	-	-	-
Total Revenues	<u>2,819,398</u>	<u>2,806,903</u>	<u>(12,495)</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	5,764	5,764	-
Capital outlay	2,104,907	2,478,852	(373,945)
Total Expenditures	<u>2,110,671</u>	<u>2,484,616</u>	<u>(373,945)</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>708,727</u>	<u>322,287</u>	<u>(386,440)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Other sources	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>708,727</u>	<u>322,287</u>	<u>(386,440)</u>
FUND BALANCE, BEGINNING OF YEAR	-	-	-
PRIOR PERIOD ADJUSTMENT	-	-	-
RESTATE BEGINNING FUND BALANCE	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 708,727</u>	<u>\$ 322,287</u>	<u>\$ (386,440)</u>

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

Special Reserve			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,927,587	\$ 1,927,587	\$ -
2,100	2,595	495	5,010,432	4,895,473	(114,959)
-	-	-	-	-	-
<u>2,100</u>	<u>2,595</u>	<u>495</u>	<u>6,938,019</u>	<u>6,823,060</u>	<u>(114,959)</u>
-	-	-	411,686	419,510	(7,824)
-	-	-	132,797	137,668	(4,871)
-	-	-	22,173	26,192	(4,019)
-	-	-	1,499,829	1,779,621	(279,792)
-	-	-	18,344,507	17,369,156	975,351
-	-	-	<u>20,410,992</u>	<u>19,732,147</u>	<u>678,845</u>
<u>2,100</u>	<u>2,595</u>	<u>495</u>	<u>(13,472,973)</u>	<u>(12,909,087)</u>	<u>563,886</u>
-	-	-	3,295,750	4,699,505	1,403,755
(112,392)	(1,772,313)	(1,659,921)	(3,408,142)	(4,811,897)	(1,403,755)
-	-	-	10,000,000	10,000,000	-
<u>(112,392)</u>	<u>(1,772,313)</u>	<u>(1,659,921)</u>	<u>9,887,608</u>	<u>9,887,608</u>	<u>-</u>
(110,292)	(1,769,718)	(1,659,426)	(3,585,365)	(3,021,479)	563,886
7,443,742	7,443,742	-	16,728,750	16,728,750	-
-	-	-	-	(1,659,921)	(1,659,921)
<u>7,443,742</u>	<u>7,443,742</u>	<u>-</u>	<u>16,728,750</u>	<u>15,068,829</u>	<u>(1,659,921)</u>
<u>\$ 7,333,450</u>	<u>\$ 5,674,024</u>	<u>\$ (1,659,426)</u>	<u>\$ 13,143,385</u>	<u>\$ 12,047,350</u>	<u>\$ (1,096,035)</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

	<u>High Schools</u>	<u>Middle Schools</u>	<u>Total</u>
ASSETS			
CASH			
Cash on hand and in banks	\$ 519,146	\$ 178,779	\$ 697,925
Total Assets	<u>\$ 519,146</u>	<u>\$ 178,779</u>	<u>\$ 697,925</u>
LIABILITIES			
Accounts payable	31,950	35,722	67,672
Due to student groups	487,196	143,057	630,253
Total Liabilities	<u>\$ 519,146</u>	<u>\$ 178,779</u>	<u>\$ 697,925</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS - HIGH SCHOOLS AND SCHOLARSHIPS

COMBINING BALANCE SHEET

JUNE 30, 2001

	<u>Cathedral City</u>	<u>Desert Hot Springs</u>	<u>Palm Springs</u>	<u>Scholarships</u>	<u>Mt. San Jacinto Continuation</u>	<u>Total</u>
ASSETS						
CASH						
Cash on hand and in banks	<u>\$99,146</u>	<u>\$52,080</u>	<u>\$180,635</u>	<u>\$ 162,172</u>	<u>\$ 25,113</u>	<u>\$519,146</u>
LIABILITIES						
Accounts payable	-	16,060	15,890	-	-	31,950
Due to student groups	<u>99,146</u>	<u>36,020</u>	<u>164,745</u>	<u>162,172</u>	<u>25,113</u>	<u>487,196</u>
Total Liabilities	<u>\$99,146</u>	<u>\$52,080</u>	<u>\$180,635</u>	<u>\$ 162,172</u>	<u>\$ 25,113</u>	<u>\$519,146</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS - HIGH SCHOOLS AND SCHOLARSHIPS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2001

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
CATHEDRAL CITY				
ASSETS				
Cash on hand and in banks	\$ 70,322	\$ 471,016	\$ (442,192)	\$ 99,146
LIABILITIES				
Due to student groups	70,322	471,016	(442,192)	99,146
Total Liabilities	<u>\$ 70,322</u>	<u>\$ 471,016</u>	<u>\$ (442,192)</u>	<u>\$ 99,146</u>
DESERT HOT SPRINGS				
ASSETS				
Cash on hand and in banks	\$ 58,654	\$ 176,532	\$ (183,106)	\$ 52,080
LIABILITIES				
Accounts payable	14,970	16,060	(14,970)	16,060
Due to student groups	43,684	160,472	(168,136)	36,020
Total Liabilities	<u>\$ 58,654</u>	<u>\$ 176,532</u>	<u>\$ (183,106)</u>	<u>\$ 52,080</u>
PALM SPRINGS				
ASSETS				
Cash on hand and in banks	\$ 183,649	\$ 424,347	\$ (427,361)	\$ 180,635
Accounts receivable	5,170	-	(5,170)	-
Total Assets	<u>\$ 188,819</u>	<u>\$ 424,347</u>	<u>\$ (432,531)</u>	<u>\$ 180,635</u>
LIABILITIES				
Accounts payable	24,770	15,890	(24,770)	15,890
Due to student groups	164,049	408,457	(407,761)	164,745
Total Liabilities	<u>\$ 188,819</u>	<u>\$ 424,347</u>	<u>\$ (432,531)</u>	<u>\$ 180,635</u>
SCHOLARSHIPS				
ASSETS				
Cash on hand and in banks	\$ 147,347	\$ 23,259	\$ (8,434)	\$ 162,172
LIABILITIES				
Due to student groups	<u>\$ 147,347</u>	<u>\$ 23,259</u>	<u>\$ (8,434)</u>	<u>\$ 162,172</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS - HIGH SCHOOLS AND SCHOLARSHIPS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
MT. SAN JACINTO CONTINUATION				
ASSETS				
Cash on hand and in banks	\$ 23,290	\$ 26,342	\$ (24,519)	\$ 25,113
LIABILITIES				
Due to student groups	\$ 23,290	\$ 26,342	\$ (24,519)	\$ 25,113
COMBINED TOTAL HIGH SCHOOLS AND SCHOLARSHIPS				
ASSETS				
Cash on hand and in banks	\$ 483,262	\$ 1,121,496	\$ (1,085,612)	\$ 519,146
Accounts receivable	5,170	-	(5,170)	-
Total Assets	<u>\$ 488,432</u>	<u>\$ 1,121,496</u>	<u>\$ (1,090,782)</u>	<u>\$ 519,146</u>
LIABILITIES				
Accounts payable	39,740	31,950	(39,740)	31,950
Due to student groups	448,692	1,089,546	(1,051,042)	487,196
Total Liabilities	<u>\$ 488,432</u>	<u>\$ 1,121,496</u>	<u>\$ (1,090,782)</u>	<u>\$ 519,146</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS - MIDDLE SCHOOLS

COMBINING BALANCE SHEET

JUNE 30, 2001

	<u>James Workman</u>	<u>Nellie Coffman</u>	<u>Raymond Cree</u>	<u>Desert Springs</u>	<u>Total</u>
ASSETS					
CASH					
Cash on hand and in banks	<u>\$ 75,436</u>	<u>\$ 24,984</u>	<u>\$ 35,656</u>	<u>\$ 42,703</u>	<u>\$ 178,779</u>
LIABILITIES					
Accounts payable	17,488	3,432	7,156	7,646	35,722
Due to student groups	57,948	21,552	28,500	35,057	143,057
Total Liabilities	<u>\$ 75,436</u>	<u>\$ 24,984</u>	<u>\$ 35,656</u>	<u>\$ 42,703</u>	<u>\$ 178,779</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

STUDENT BODY FUNDS - MIDDLE SCHOOLS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2001

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
JAMES WORKMAN				
ASSETS				
Cash on hand and in banks	\$ 38,568	\$ 149,783	\$ (112,915)	\$ 75,436
LIABILITIES				
Accounts payable	9,316	17,488	(9,316)	17,488
Due to student groups	29,252	132,295	(103,599)	57,948
Total Liabilities	<u>\$ 38,568</u>	<u>\$ 149,783</u>	<u>\$ (112,915)</u>	<u>\$ 75,436</u>
NELLIE COFFMAN				
ASSETS				
Cash on hand and in banks	\$ 3,780	\$ 122,988	\$ (101,784)	\$ 24,984
LIABILITIES				
Accounts payable	3,010	3,432	(3,010)	3,432
Due to student groups	770	119,556	(98,774)	21,552
Total Liabilities	<u>\$ 3,780</u>	<u>\$ 122,988</u>	<u>\$ (101,784)</u>	<u>\$ 24,984</u>
RAYMOND CREE				
ASSETS				
Cash on hand and in banks	\$ 38,375	\$ 78,989	\$ (81,708)	\$ 35,656
LIABILITIES				
Accounts payable	3,695	7,156	(3,695)	7,156
Due to student groups	34,680	71,833	(78,013)	28,500
Total Liabilities	<u>\$ 38,375</u>	<u>\$ 78,989</u>	<u>\$ (81,708)</u>	<u>\$ 35,656</u>
DESERT SPRINGS				
ASSETS				
Cash on hand and in banks	\$ 11,992	\$ 93,151	\$ (62,440)	\$ 42,703
LIABILITIES				
Accounts payable	-	7,646	-	7,646
Due to student groups	11,992	85,505	(62,440)	35,057
Total Liabilities	<u>\$ 11,992</u>	<u>\$ 93,151</u>	<u>\$ (62,440)</u>	<u>\$ 42,703</u>
COMBINED TOTAL MIDDLE SCHOOLS				
ASSETS				
Cash on hand and in banks	\$ 92,715	\$ 444,911	\$ (358,847)	\$ 178,779
LIABILITIES				
Accounts payable	16,021	35,722	(16,021)	35,722
Due to student groups	76,694	409,189	(342,826)	143,057
Total Liabilities	<u>\$ 92,715</u>	<u>\$ 444,911</u>	<u>\$ (358,847)</u>	<u>\$ 178,779</u>

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

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SUPPLEMENTARY INFORMATION

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number
U.S. DEPARTMENT OF EDUCATION		
Passed through California Department of Education (CDE):		
Adult Education Act - PL 100-297	84.002	03499
Child Development, Federal Childcare Center Based	84.000	03608
Education Technology Literacy Grant	84.318	03285
Elementary and Secondary Education Act		
Title I Part A - Grants to Local Educational Agencies [2]	84.010	03797
Title II - Eisenhower Math and Science	84.281	03207
Title IV - Safe and Drug-Free Schools	84.184	10007
Title VI - Innovative Education Strategies	84.298	03340
Title VI - Federal Class Reduction	84.298	13073
Title VII - Bilingual Education Comprehensive School Grants	84.290	10008
Emergency Immigrant Education	84.162	03159
Individuals with Disabilities Education Act		
Federal Preschool	84.027	03430
Local Assistance	84.027	03379
Personnel Staff Development	84.027	03615
Low Incidence	84.027	03459
Workability	84.027	03011
Vocational and Applied Technology Education Act - Carl D. Perkins		
Title IIC - Adult Education	84.048	03578
Title IIC - Secondary Education	84.048	03577
Subtotal		
U.S. DEPARTMENT OF AGRICULTURE		
Passed through CDE:		
Child Nutrition Cluster:		
Basic Breakfast [2]	10.553	03390
Especially Needy Breakfast [2]	10.553	03390
National School Lunch Program [2]	10.555	03396
Meal Supplements	10.559	03158
Food Distribution	10.550	03534
Forest Reserve	10.665	10044
Subtotal		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through CDE:		
LEA Medi-Cal Billing Option	93.778	10013
Passed through Riverside County Office of Education (RCOE)		
Head Start	93.600	10016
Subtotal		
U.S. DEPARTMENT OF DEFENSE		
Junior Reserve Officer Training Program	12.000	N/A
U.S. DEPARTMENT OF LABOR		
JTPA - School-to-Career	17.250	23422
Total Federal Programs		

[1]Entitlement column not applicable. Maximum revenues based on level of service, ADA or other criteria.

[2]Major program.

See accompanying note to supplementary information.

Program Awards			Program Revenues				Program Expenditures
Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable (Payable)	Deferred Revenue	Total Revenue	
\$ 11,925	\$ -	\$ 11,925	\$ 2,318	\$ 9,607	\$ -	\$ 11,925	\$ 11,925
179,909	-	179,909	163,909	16,000	-	179,909	179,909
222,664	7,522	230,186	157,820	-	110,814	47,006	47,006
3,179,652	565,029	3,744,681	3,746,984	-	268,136	3,478,848	3,478,848
99,201	13,025	112,226	112,226	-	1,149	111,077	111,077
352,095	-	352,095	347,095	-	80,926	266,169	266,169
100,872	-	100,872	105,872	-	55,228	50,644	50,644
471,955	-	471,955	377,564	94,391	-	471,955	471,955
244,061	-	244,061	-	244,061	-	244,061	244,061
143,175	176,173	319,348	284,964	(176,318)	-	108,646	108,646
104,435	14,962	119,397	39,555	79,842	88,687	30,710	30,710
1,519,496	-	1,519,496	1,115,241	404,255	-	1,519,496	1,519,496
6,942	-	6,942	1,736	5,206	-	6,942	6,942
5,358	-	5,358	-	5,358	-	5,358	5,358
80,286	7,285	87,571	67,500	20,071	-	87,571	87,571
73,591	-	73,591	55,650	10,071	-	65,721	65,721
127,573	-	127,573	84,455	24,643	-	109,098	109,098
			<u>6,662,889</u>	<u>737,187</u>	<u>604,940</u>	<u>6,795,136</u>	<u>6,795,136</u>
-	-	[1]	19,272	4,884	-	24,156	24,156
-	-	[1]	422,196	99,839	-	522,035	522,035
-	-	[1]	2,084,448	465,681	-	2,550,129	2,550,129
-	-	[1]	15,961	3,412	-	19,373	19,373
-	-	[1]	241,110	-	-	241,110	241,110
819	-	819	819	-	-	819	819
			<u>2,783,806</u>	<u>573,816</u>	<u>-</u>	<u>3,357,622</u>	<u>3,357,622</u>
-	-	[1]	102,321	-	-	102,321	102,321
-	-	[1]	549,059	531,092	-	1,080,151	1,080,151
			<u>651,380</u>	<u>531,092</u>	<u>-</u>	<u>1,182,472</u>	<u>1,182,472</u>
-	-	[1]	105,533	-	-	105,533	105,533
-	-	[1]	17,617	15,902	-	33,519	33,519
			<u>\$10,221,225</u>	<u>\$1,857,997</u>	<u>\$ 604,940</u>	<u>\$11,474,282</u>	<u>\$11,474,282</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,434	1,455
First through third	5,084	5,094
Fourth through sixth	4,665	4,663
Seventh and eighth	2,647	2,640
Opportunity schools	15	16
Home and hospital	8	9
Special education	396	409
Total Elementary	14,249	14,286
SECONDARY		
Regular classes	4,561	4,504
Continuation education	236	225
Opportunity schools	19	22
Home and hospital	3	4
Special education	174	172
Total Secondary	4,993	4,927
Total K-12	19,242	19,213
CLASSES FOR ADULTS		
Concurrently enrolled	3	5
Not concurrently enrolled	175	190
Total Classes for Adults	178	195
Grand Total	19,420	19,408
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		208,990
High School		238,447
Total Hours		447,437

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2000-01 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,200	Complied
Grades 1 - 3	50,400	49,280	52,570	Complied
Grades 4 - 5	54,000	49,280	54,370	Complied
Grades 6 - 8	54,000	49,280	57,898	Complied
Grades 9 - 12	64,800	64,218	65,206	Complied

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, 2001**

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

	<u>Capital Facilities</u>
FUND BALANCE	
Balance, June 30, 2001, Unaudited Actuals	\$ 1,199,173
(Increase) in deferred revenue	(607,671)
Balance, June 30, 2001, Audited Financial Statement	<u>\$ 591,502</u>

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2001**

	(Budget) 2002 ¹	2001	2000	1999
GENERAL FUND				
Revenues	\$ 131,943,882	\$ 135,454,602	\$ 112,626,185	\$ 104,172,757
Other sources	1,500,000	338,674	-	1,043,890
Total Revenues and Other Sources	133,443,882	135,793,276	112,626,185	105,216,647
Expenditures	132,702,803	127,096,365	112,561,531	100,143,703
Other uses and transfers out	144,168	729,132	5,665,546	4,296,895
Total Expenditures and Other Uses	132,846,971	127,825,497	118,227,077	104,440,598
INCREASE/(DECREASE) IN FUND BALANCE	\$ 596,911	\$ 7,967,779	\$ (5,600,892)	\$ 776,049
ENDING FUND BALANCE	\$ 14,894,150	\$ 14,297,239	\$ 6,329,460	\$ 11,930,352
AVAILABLE RESERVES ²	\$ 6,065,063	\$ 8,567,080	\$ 7,292,353	\$ 4,915,854
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.6%	6.7%	6.2%	4.7%
LONG-TERM DEBT	N/A	\$ 78,905,023	\$ 69,085,943	\$ 68,447,726
AVERAGE DAILY ATTENDANCE AT P-2 ³	19,858	19,242	18,806	17,928

The general fund balance has increased by \$2,366,887 over the past two years. The fiscal year 2001-02 budget projects a further increase of \$596,911 (4.2 percent). For a district this size, the State recommends available reserves of at least three percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2001-02 fiscal year. Total long-term debt has increased by \$10,457,297 over the past two years.

Average daily attendance has increased by 1,314 over the past two years. Additional growth of 616 ADA is anticipated during fiscal year 2001-02.

¹ Budget 2002 is included for analytical purposes only and has not been subjected to audit.

² 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).

³ Excludes Adult Education ADA.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2000-2001		1999-2000		1998-99	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 7,860	5.80	\$ 5,816	5.16	\$ 4,873	4.64
State and local revenue included in revenue limit	88,643	65.44	77,654	68.95	71,442	68.05
Special education	5,600	4.13	4,652	4.13	4,480	4.27
Lottery revenue	2,907	2.15	2,401	2.13	2,232	2.13
Other state revenue	24,487	18.08	15,039	13.35	13,995	13.33
Interest revenue	1,656	1.22	1,529	1.36	1,337	1.27
Other local revenue and transfers	4,301	3.18	5,535	4.92	6,633	6.31
Total Revenues	<u>135,454</u>	<u>100.00</u>	<u>112,626</u>	<u>100.00</u>	<u>104,992</u>	<u>100.00</u>
EXPENDITURES						
Salaries and Benefits						
Teachers' salaries	55,499	40.97	46,211	41.03	40,934	38.99
Other certificated salaries	9,496	7.01	9,096	8.08	8,260	7.87
Classified salaries	17,961	13.26	14,937	13.26	13,195	12.57
Employee benefits	20,573	15.19	16,205	14.39	14,707	14.00
Total Salaries and Benefits	<u>103,529</u>	<u>76.43</u>	<u>86,449</u>	<u>76.76</u>	<u>77,096</u>	<u>73.43</u>
Books and supplies	5,781	4.27	6,987	6.20	5,385	5.13
Contracts and operating expenses	13,415	9.90	12,757	11.33	12,061	11.49
Capital outlay	4,868	3.59	5,294	4.70	4,752	4.53
Other transfers	(497)	(0.37)	1,074	0.95	850	0.81
Total Expenditures	<u>127,096</u>	<u>93.82</u>	<u>112,561</u>	<u>99.94</u>	<u>100,144</u>	<u>95.39</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>8,358</u>	<u>6.18</u>	<u>65</u>	<u>0.06</u>	<u>4,848</u>	<u>4.61</u>
OTHER FINANCING SOURCES/(USES)						
Operating transfers in	113	0.08			225	0.21
Other sources	226	0.17			225	0.21
Operating transfers out	(729)	(0.54)	(5,666)	(5.03)	(4,297)	(4.09)
Total Other Financing Sources/(Uses)	<u>(390)</u>	<u>(0.29)</u>	<u>(5,666)</u>	<u>(5.03)</u>	<u>(3,847)</u>	<u>(3.67)</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>7,968</u>	<u>5.89</u>	<u>(5,601)</u>	<u>(4.97)</u>	<u>776</u>	<u>0.73</u>
FUND BALANCE, BEGINNING	<u>6,329</u>		<u>11,930</u>		<u>11,154</u>	
FUND BALANCE, ENDING	<u>\$ 14,297</u>		<u>\$ 6,329</u>		<u>\$ 11,930</u>	

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Actual Results for the Years					
	2000-2001		1999-2000		1998-99	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal	\$ 3,357	55.09	\$ 3,235	56.84	\$ 3,103	59.52
State meal program	210	3.45	200	3.51	211	4.05
Food sales	2,494	40.93	2,238	39.33	1,864	35.76
Other	33	0.53	18	0.32	35	0.67
Total Revenues	<u>6,094</u>	<u>100.00</u>	<u>5,691</u>	<u>100.00</u>	<u>5,213</u>	<u>100.00</u>
EXPENDITURES						
Salaries and employee benefits	2,564	42.07	2,318	40.73	2,115	40.57
Food	2,567	42.12	2,620	46.04	2,223	42.64
Supplies	19	0.32	32	0.56		
Other	881	14.61	896	15.75	814	15.62
Total Expenditures	<u>6,031</u>	<u>99.12</u>	<u>5,866</u>	<u>103.08</u>	<u>5,152</u>	<u>98.83</u>
INCREASE/(DECREASE) IN FUND BALANCE	63	<u>0.88</u>	(175)	<u>(3.08)</u>	61	<u>1.17</u>
FUND BALANCE, BEGINNING	<u>159</u>		<u>334</u>		<u>273</u>	
FUND BALANCE, ENDING	<u>\$ 222</u>		<u>\$ 159</u>		<u>\$ 334</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>3.64</u>		<u>2.79</u>		<u>6.41</u>

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2001

NOTE #1 - PURPOSE OF SCHEDULES

A. 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 general-purpose financial statements.

B. 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 apportionment's 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.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The 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 46201 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.

D. 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 Form J-200 to the audited financial statements.

E. 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.

F. General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the general fund for the past three years.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2001**

G. Cafeteria Account Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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

Board of Education
Palm Springs Unified School District
Palm Springs, California

We have audited the financial statements of Palm Springs Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 19, 2001. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. 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.

Compliance

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 grants, 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*.

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 opinion on the financial statements and not to provide assurance 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. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2001-1 through 2001-6.

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 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.

This report is intended for the information and use of the Board of Education, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vannick, Trine, Day, Co., LLP

Rancho Cucamonga, California
October 19, 2001



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

Board of Education
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, 2001. 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 on 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, 2001.

Internal Control Over Compliance

The management of Palm Springs Unified School District is responsible for establishing and maintaining effective internal control over compliance with 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 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 for the information and use of the Board of Education, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavunek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2001



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
 Palm Springs Unified School District
 Palm Springs, California

We have audited the financial statements of the Palm Springs Unified School District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 19, 2001. In our report, our opinion was qualified because the Palm Springs Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 opinion.

The management of Palm Springs Unified School District is responsible for compliance with laws and regulations. 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 laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	3	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	13	Yes
Continuation education	12	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	9	Not Applicable
Incentives for longer instructional day:		
School districts	3	Yes
County offices of education	3	Not Applicable
GANN limit calculation	2	Yes
Early retirement incentive program	5	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	Not Applicable
Class size reduction program:		
Option one classes	11	Not Applicable
Option two classes	10	Not Applicable
Both options one and two classes	16	Yes
Reduce class size in two courses in grade 9	8	Yes
State instructional materials fund (K-8)	8	Yes
Schiff-Bustamante standards-based instructional materials	4	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Office of Criminal Justice Planning	-	Not Applicable

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.

Vavrunek, Trine, Day! G, U P

Rancho Cucamonga, California
October 19, 2001

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2001**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</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)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Part A</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</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, 2001

The following findings represent reportable conditions and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

CASH COLLECTIONS

Bubbling Wells Elementary

2001-1 Finding (30000)

We noted the following during our review of cash collections:

- Site cash collections made on behalf of the District are not remitted to the District.
- Cash collections are used to make purchases.

Recommendation

Site cash collections made on behalf of the District, should be remitted to the District at least monthly and should not be used by the school to make purchases. Expenditures of District funds should be processed through the regular purchasing cycle of the District.

District Response

The District Office will work with staff to ensure that proper cash procedures are developed and implemented. The District will have the auditors visit the site once the procedures have been implemented to ensure that the controls are working properly.

Julius Corsini Elementary

2001-2 Finding (30000)

Cash collections made by the librarian for lost and damaged books submitted to the school secretary have not been remitted to the District during the year.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

Recommendation

Cash collected on behalf of the District should be remitted to the District at least monthly and should not be used by the school to make purchases. Expenditures of the District funds should be processed through the regular purchasing cycle of the District.

District Response

The District Office will work with the staff to ensure that proper procedures are developed and implemented. The District will have the auditors visit the site once the procedures have been implemented to ensure that the controls are working properly.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Palm Springs High School

2001-3 Finding (30000)

Due to a theft of the ASB safe, the ASB bookkeeper does not have a secure location to keep daily cash collections.

Recommendation

To ensure that cash collections are properly safeguarded, the ASB should keep its cash receipts collected during the day in a secure location. Due to the high volume of cash collected, the bookkeeper should continue to make deposits on a daily basis.

District Response

Measures will be taken to properly safeguard assets.

Nellie Coffman Middle School

2001-4 Finding (30000)

A review of the internal control structure of the student activities account indicated the following:

- Sub-receipt books or cash receipt logs are not consistently used by advisors when remitting cash to the Activities Director.
- Several deposits were made to the bank account by a non-district employee.
- Journal entries are not being posted chronologically. One instance includes a deposit made to the bank in December 2000, posted to the ledger twenty-five days later in January 2001.
- On several occasions, it was noted that a parent has signed check request forms and submitted these forms signing as a teacher.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2001

Recommendation

The internal control procedures should be reviewed with the school's Activities Director and advisors.

District Response

The District has reviewed internal control procedures with the school principal, ASB advisor, and the District ASB clerk. The District will continue to closely monitor daily procedures.

Desert Hot Springs High School

2001-5 Finding (30000)

The following items were noted:

- Deposits are not made timely to the bank, the majority of cash collections are maintained in the safe for a period of three months or more.
- Bank reconciliations are not completed monthly.
- The June 30, 2001, bank reconciliation had deposits in transit in excess of \$60,000, for time periods dating back to January 2001. These deposits did not post until July 2001.

Recommendation

Bank deposits should be at least weekly. Deposits should be made more frequently during periods or high volume of cash collection. Cash should not be held in the safe over the weekend or during vacation breaks. A bank reconciliation should be prepared each month and submitted to the site administrator and to the District Office for review.

District Response

Per District policy, deposits should be made at least weekly. The District will verify deposits each month by requesting copies of the monthly bank reconciliation and bank statement to ensure timeliness of deposits and accuracy of the bank reconciliation.

Separation of Duties

2001-6 Finding (30000)

There appears to be a lack of separation of duties at several of the ASB's. 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.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

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 of 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.

District Response

This is common for most ASB funds. The District has provided training, accounting manuals, and assistance to ensure that the internal controls are properly maintained.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings representing reportable conditions, material weaknesses, or instances of non-compliance including questioned costs that are required to be reported by OMB Circular A-133.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings representing instances of noncompliance or questioned costs relating to state program laws and regulations.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

Summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

INTERFUND PAYABLES/RECEIVABLES

2000-1 Finding (30000)

The District uses the due to and due from accounts to track interfund borrowing during construction.

During the 1999-2000 fiscal year, the District closed several state school building projects. This is a time-intensive process that involves working with the State to provide additional information to formally close each project. Therefore, the District was unable to clear the due to and due from balances relating to three building projects.

Recommendation

The District should continue to process closing entries for interfund activity upon completion of the related project. This will decrease the high due to and due from balances that are recorded on the District's ledgers.

Current Status
Implemented.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Separation of Duties

2000-2 Finding (30000)

There appears to be a lack of separation of duties at several of the ASB's. 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 of 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 Financial Statement Finding 2001-6.