



**PALM SPRINGS UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

PALM SPRINGS UNIFIED SCHOOL DISTRICT

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Palm Springs Unified School District
Palm Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Springs Unified School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Springs Unified School District, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 50 and 51, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

Vavriak, Trinc, Day & Co., LLP
Rancho Cucamonga, California
December 15, 2010



PALM SPRINGS UNIFIED SCHOOL DISTRICT

980 EAST TAHQUITZ CANYON WAY
PALM SPRINGS, CALIFORNIA 92262-0119
(760) 416-6000

LORRI S. McCUNE, Ed.D., Superintendent of Schools

BOARD OF EDUCATION: SHARI STEWART, *President* – RICHARD CLAPP, *Clerk*
JUSTIN BLAKE, *Member* – GARY JEANDRON, *Member* – MEREDY SHOENBERGER, *Member*

This section of Palm Springs Unified School District's (the District) (2009-2010) annual financial report presents managements discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010, with comparative information from June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's financial status has remained positive.

- Overall revenues were \$5.6 million more than expenses.
- Total net assets in governmental activities were recorded at \$275.7 million.
- The General Fund reported a positive fund balance of \$59.1 million.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Assets*, and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$275.7 million for the fiscal year ended June 30, 2010, an increase of \$5.7 million, or 2.1 percent over the prior year. Of this amount, \$32.6 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)

| | Governmental Activities | |
|---|-------------------------|-----------------|
| | 2010 | 2009 |
| Assets | | |
| Current and other assets | \$ 316.8 | \$ 219.9 |
| Capital assets | 345.1 | 324.9 |
| Total Assets | <u>661.9</u> | <u>544.8</u> |
| Liabilities | | |
| Current liabilities | 27.4 | 40.2 |
| Long-term obligations | 358.8 | 234.5 |
| Total Liabilities | <u>386.2</u> | <u>274.7</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 149.2 | 153.7 |
| Restricted | 93.9 | 63.1 |
| Unrestricted | 32.6 | 53.2 |
| Total Net Assets | <u>\$ 275.7</u> | <u>\$ 270.0</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------|
| | 2010 | 2009 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 1.3 | \$ 1.7 |
| Operating grants and contributions | 52.5 | 49.0 |
| Capital grants and contributions | 3.2 | 2.5 |
| General revenues: | | |
| Unrestricted | 97.0 | 115.3 |
| Property taxes | 71.2 | 63.7 |
| Other general revenues | 25.2 | 16.1 |
| Total Revenues | <u>250.4</u> | <u>248.3</u> |
| Expenses | | |
| Instruction-related | 165.9 | 170.0 |
| Student support services | 23.6 | 23.0 |
| Administration | 13.2 | 13.4 |
| Maintenance and operations | 23.7 | 24.5 |
| Other | 18.4 | 12.8 |
| Total Expenses | <u>244.8</u> | <u>243.7</u> |
| Change in Net Assets | <u>\$ 5.6</u> | <u>\$ 4.6</u> |

Governmental Activities

As reported in the *Statement of Activities* on page 14, the net cost of all of our governmental activities this year was \$187.8 million, a decrease of \$2.7 million, or 1.4 percent from the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was \$71.2 million because the cost was paid by those who benefited from the programs (\$1.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$55.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$122.2 million in State funds and other revenues, like interest, and general entitlements.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's largest functions – instruction-related, student support services, administration, maintenance and operations, and other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

| (Amounts in millions) | Total Net Cost of Services | |
|----------------------------|----------------------------|-----------------|
| | 2010 | 2009 |
| Instruction-related | \$ 127.7 | \$ 134.0 |
| Student support services | 7.3 | 8.2 |
| Administration | 11.9 | 12.3 |
| Maintenance and operations | 23.4 | 24.3 |
| Other activities | 17.5 | 11.7 |
| Total | \$ 187.8 | \$ 190.5 |

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$287.3 million, which is an increase of \$114.4 million from last year.

Table 4

| | Balances and Activity | | | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | July 1, 2009 | Revenues | Expenditures | June 30, 2010 |
| General Fund | \$ 55,079,695 | \$ 195,063,785 | \$ 191,013,076 | \$ 59,130,404 |
| Building Fund | 58,146,977 | 135,779,551 | 39,539,935 | 154,386,593 |
| Bond Interest and Redemption Fund | 14,645,805 | 32,869,803 | 17,562,914 | 29,952,694 |
| Non-Major Governmental Funds | 45,080,791 | 19,147,817 | 20,363,873 | 43,864,735 |
| Total | \$ 172,953,268 | \$ 382,860,956 | \$ 268,479,798 | \$ 287,334,426 |

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 22, 2010. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 50.)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$477.5 million in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$20.2 million, or 6.2 percent, over last year. Depreciation expense of \$20.7 million was allocated to governmental activities during 2010.

Table 5

(Amounts in millions)

| | Governmental Activities | |
|----------------------------|-------------------------|-----------------|
| | 2010 | 2009 |
| Land | \$ 70.5 | \$ 66.8 |
| Construction in progress | 70.3 | 53.9 |
| Land improvements | 1.3 | 1.3 |
| Buildings and improvements | 198.6 | 198.5 |
| Furniture and equipment | 4.4 | 4.4 |
| Total | \$ 345.1 | \$ 324.9 |

This year's additions consist of completion of Cabot Yerxa Elementary School and construction of Painted Hills Middle School.

Long-Term Obligations

At the end of this year, the District had \$354.5 million in general obligation bonds outstanding versus \$231.9 million last year, an increase of 52.9 percent. Unpaid accumulated vacation of \$1.1 million, claims liability of \$2.8 million and \$0.5 million of net OPEB obligation are also included:

Table 6

(Amounts in millions)

| | Governmental Activities | |
|-----------------------------|-------------------------|-----------------|
| | 2010 | 2009 |
| General obligation bonds | \$ 354.5 | \$ 231.9 |
| Compensated absences | 1.1 | 1.0 |
| Claims liability | 2.8 | 2.5 |
| Cumulative rebate liability | - | 1.1 |
| Net OPEB obligation | 0.5 | 0.4 |
| Total | \$ 358.9 | \$ 236.9 |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2009-2010 ARE NOTED BELOW:

| <u>Project</u> | <u>Fiscal Year 2009-2010</u> |
|---|----------------------------------|
| Cabot Yerxa Elementary School (Elementary 16) | \$ 7,421,864 |
| Painted Hills Middle School (Middle School 5) | 23,292,267 |
| New Service Center | 4,952,841 |
| | <u>\$ 35,666,972</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2010-2011 year, the District Board and management used the following criteria:

- The categorical flexibility options approved by the State in fiscal year 2008-2009, continue mostly unchanged. Thus, this budget includes \$4,407,242 in flexibility transfers to general operating activity and are projected through fiscal year 2012-2013. The Federal ARRA funding, \$16,366,827, has sustained our District through two years of financial hardship. This funding will be exhausted by June 30, 2011. A second round of ARRA is currently being considered by Congress.
- The budget assumptions are based on the State May Revision proposals. These proposals continue to project a grim financial picture for school districts. The current deficit factor applied to the Revenue Limit will continue at 18.355 percent, however, the cost of living adjustment (COLA) has dropped from 4.25 percent in fiscal year 2009-2010, to -.39 percent for fiscal year 2010-2011. Although the projected COLA for the two subsequent fiscal years are 2.1 percent and 2.4 percent, respectively, the Riverside County Office of Education has recommended that districts budget a zero COLA for both years as the State's ability to fund these COLAs remains questionable at this time. In addition, the State proposals include a \$1.5 billion cut to education. At this time, the Department of Finance has recommended that this cut be applied to the District's undeficitated base revenue limits. The current cut rate is 3.85 percent. For our District, these ongoing cuts represent a loss of \$16,545,880 over the next three fiscal years. This amount does not include the \$5,750,242 "one-time" reduction to the Revenue Limit in the current fiscal year.
- These cuts are compounded by the State deferrals which will continue into the budget year. These deferrals which are applied to various State funding resources, are significant to our cash flow. For the Revenue Limit alone, this year \$23,150,861 of a total \$87,486,530, has been deferred into fiscal year 2010-2011.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Expenditures are based on the following forecast:

| | <u>Staffing Ratio</u> | <u>Enrollment*</u> |
|---------------------------|-----------------------|--------------------|
| Grade kindergarten | 31:1 | 1,634 |
| Grades one through three | 26:1 | 5,172 |
| Grades four and five | 31:1 | 3,425 |
| Grades six through twelve | 31:1 | 12,162 |
| Total | | <u>22,393</u> |

*Does not include Special Education of 733, Cielo Vista Charter School of 732, and Independent Study of 305. Total enrollment was 23,431.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Evelyn Hernandez, Director of Fiscal Services, at Palm Springs Unified School District, 980 E. Tahquitz Canyon Way, Suite 204, Palm Springs, California 92262.

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

| | Governmental Activities |
|---|-------------------------------------|
| ASSETS | |
| Deposits and investments | \$ 281,766,540 |
| Receivables | 34,658,265 |
| Prepaid expenditures | 3,251 |
| Stores inventories | 396,895 |
| Capital Assets | |
| Land and construction in process | 140,798,037 |
| Other capital assets | 336,772,267 |
| Less: Accumulated depreciation | <u>(132,506,025)</u> |
| Total Capital Assets | <u>345,064,279</u> |
| Total Assets | <u>661,889,230</u> |
| LIABILITIES | |
| Accounts payable | 14,965,434 |
| Interest payable | 10,768,073 |
| Deferred revenue | 1,628,281 |
| Claims liabilities | 2,761,481 |
| Current portion of long-term obligations | 13,752,596 |
| Noncurrent portion of long-term obligations | <u>342,331,030</u> |
| Total Liabilities | <u>386,206,895</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 149,162,905 |
| Restricted for: | |
| Debt service | 19,184,621 |
| Capital projects | 15,026,889 |
| Educational programs | 38,332,533 |
| Other activities | 21,321,181 |
| Unrestricted | <u>32,654,206</u> |
| Total Net Assets | <u><u>\$ 275,682,335</u></u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

| Functions/Programs | Expenses | Program Revenues | |
|--|-----------------------|--------------------------------|------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions |
| Governmental Activities: | | | |
| Instruction | \$ 144,098,054 | \$ 53,154 | \$ 29,653,994 |
| Instruction-related activities: | | | |
| Supervision of instruction | 6,814,811 | 3,994 | 5,123,812 |
| Instructional library, media, and technology | 2,017,914 | - | 45,452 |
| School site administration | 12,925,324 | - | 93,537 |
| Pupil services: | | | |
| Home-to-school transportation | 3,941,847 | 211 | 2,330,509 |
| Food services | 10,065,507 | 1,184,039 | 9,223,461 |
| All other pupil services | 9,600,650 | 5,262 | 3,589,537 |
| Administration: | | | |
| Data processing | 2,645,234 | - | 8,672 |
| All other administration | 10,515,811 | 53,618 | 1,169,046 |
| Plant services | 23,700,065 | 1,168 | 320,562 |
| Ancillary services | 1,473,827 | - | - |
| Interest on long-term obligations | 16,967,126 | - | - |
| Other outgo | 6,974 | - | 920,719 |
| Total Governmental Activities | \$ 244,773,144 | \$ 1,301,446 | \$ 52,479,301 |

General revenues and subventions:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Miscellaneous
Subtotal, General Revenues
Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

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

| | | Net (Expenses) Revenues and Changes in Net Assets |
|--|--|--|
| Capital Grants and Contributions | | Governmental Activities |
| \$ 3,226,105 | | \$ (111,164,801) |
| - | | (1,687,005) |
| - | | (1,972,462) |
| - | | (12,831,787) |
| - | | (1,611,127) |
| - | | 341,993 |
| - | | (6,005,851) |
| - | | (2,636,562) |
| - | | (9,293,147) |
| - | | (23,378,335) |
| - | | (1,473,827) |
| - | | (16,967,126) |
| - | | 913,745 |
| <u>\$ 3,226,105</u> | | <u>(187,766,292)</u> |

| |
|-----------------------|
| 34,810,935 |
| 29,287,165 |
| 7,082,080 |
| 95,964,330 |
| 996,116 |
| 25,246,033 |
| <u>193,386,659</u> |
| 5,620,367 |
| 270,061,968 |
| <u>\$ 275,682,335</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

| | <u>General Fund</u> | <u>Building Fund</u> | <u>Bond Interest and Redemption Fund</u> |
|--|-------------------------|--------------------------|--|
| ASSETS | | | |
| Deposits and investments | \$ 40,558,117 | \$ 158,567,661 | \$ 29,952,694 |
| Receivables | 32,045,595 | 371,494 | - |
| Due from other funds | 2,373,990 | 2,665 | - |
| Prepaid expenditures | 3,251 | - | - |
| Stores inventories | 155,151 | - | - |
| Total Assets | <u>\$ 75,136,104</u> | <u>\$ 158,941,820</u> | <u>\$ 29,952,694</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 9,263,858 | \$ 4,538,632 | \$ - |
| Due to other funds | 5,136,233 | 16,595 | - |
| Deferred revenue | 1,605,609 | - | - |
| Total Liabilities | <u>16,005,700</u> | <u>4,555,227</u> | <u>-</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Revolving cash | 100,000 | - | - |
| Stores inventories | 155,151 | - | - |
| Prepaid expenditures | 3,251 | - | - |
| Legally restricted balances | 38,332,533 | - | - |
| Unreserved: | | | |
| Designated | 20,539,469 | 154,386,593 | - |
| Undesignated, reported in: | | | |
| Debt Service funds | - | - | 29,952,694 |
| Total Fund Balances | <u>59,130,404</u> | <u>154,386,593</u> | <u>29,952,694</u> |
| Total Liabilities and Fund Balances | <u>\$ 75,136,104</u> | <u>\$ 158,941,820</u> | <u>\$ 29,952,694</u> |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ 39,526,033 | \$ 268,604,505 |
| 2,205,691 | 34,622,780 |
| 5,122,949 | 7,499,604 |
| - | 3,251 |
| 241,744 | 396,895 |
| <u>\$ 47,096,417</u> | <u>\$ 311,127,035</u> |
| | |
| \$ 855,944 | \$ 14,658,434 |
| 2,353,066 | 7,505,894 |
| 22,672 | 1,628,281 |
| <u>3,231,682</u> | <u>23,792,609</u> |
| | |
| - | 100,000 |
| 241,744 | 396,895 |
| - | 3,251 |
| - | 38,332,533 |
| 43,622,991 | 218,549,053 |
| - | 29,952,694 |
| <u>43,864,735</u> | <u>287,334,426</u> |
| | |
| <u>\$ 47,096,417</u> | <u>\$ 311,127,035</u> |

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

| | | |
|---|----------------------|------------------------------|
| Total Fund Balance - Governmental Funds | | \$ 287,334,426 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is: | \$ 477,570,304 | |
| Accumulated depreciation is: | <u>(132,506,025)</u> | |
| Net Capital Assets | | 345,064,279 |
| In the governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. | | |
| | | (10,768,073) |
| An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | | |
| | | 10,135,329 |
| Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. | | |
| Long-term obligations at year-end consist of: | | |
| Bonds payable | 354,469,035 | |
| Compensated absences (vacations) | 1,133,542 | |
| Net OPEB obligation | <u>481,049</u> | |
| Total Long-Term Obligations | | <u>(356,083,626)</u> |
| Total Net Assets - Governmental Activities | | <u>\$ 275,682,335</u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

| | General Fund | Building Fund | Bond Interest and Redemption Fund |
|--|----------------------|-----------------------|---|
| REVENUES | | | |
| Revenue limit sources | \$ 114,689,643 | \$ - | \$ - |
| Federal sources | 19,282,406 | - | - |
| Other State sources | 33,008,185 | - | 246,346 |
| Other local sources | 25,105,134 | 1,089,551 | 29,200,992 |
| Total Revenues | <u>192,085,368</u> | <u>1,089,551</u> | <u>29,447,338</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 122,521,785 | - | - |
| Instruction-related activities: | | | |
| Supervision of instruction | 6,420,920 | - | - |
| Instructional library, media, and technology | 2,017,914 | - | - |
| School site administration | 12,717,980 | - | - |
| Pupil services: | | | |
| Home-to-school transportation | 3,941,847 | - | - |
| Food services | 76,740 | - | - |
| All other pupil services | 9,475,433 | - | - |
| Administration: | | | |
| Data processing | 2,645,234 | - | - |
| All other administration | 8,773,127 | - | - |
| Plant services | 20,380,522 | 257,000 | - |
| Facility acquisition and construction | 446,281 | 39,247,973 | - |
| Ancillary services | 1,473,827 | - | - |
| Other outgo | 6,974 | - | - |
| Debt service | | | |
| Principal | - | - | 6,910,000 |
| Interest and other | - | 34,962 | 10,652,914 |
| Total Expenditures | <u>190,898,584</u> | <u>39,539,935</u> | <u>17,562,914</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,186,784</u> | <u>(38,450,384)</u> | <u>11,884,424</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 2,978,417 | - | - |
| Other sources | - | 134,690,000 | 3,422,465 |
| Transfers out | (114,492) | - | - |
| Net Financing Sources (Uses) | <u>2,863,925</u> | <u>134,690,000</u> | <u>3,422,465</u> |
| NET CHANGE IN FUND BALANCES | 4,050,709 | 96,239,616 | 15,306,889 |
| Fund Balance - Beginning | 55,079,695 | 58,146,977 | 14,645,805 |
| Fund Balance - Ending | <u>\$ 59,130,404</u> | <u>\$ 154,386,593</u> | <u>\$ 29,952,694</u> |

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

| Non-Major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ - | \$ 114,689,643 |
| 9,477,111 | 28,759,517 |
| 6,596,298 | 39,850,829 |
| 2,959,916 | 58,355,593 |
| <u>19,033,325</u> | <u>241,655,582</u> |
| 2,397,137 | 124,918,922 |
| 393,891 | 6,814,811 |
| - | 2,017,914 |
| 207,344 | 12,925,324 |
| - | 3,941,847 |
| 9,988,767 | 10,065,507 |
| 125,217 | 9,600,650 |
| - | 2,645,234 |
| 968,762 | 9,741,889 |
| 1,896,655 | 22,534,177 |
| 1,407,683 | 41,101,937 |
| - | 1,473,827 |
| - | 6,974 |
| - | 6,910,000 |
| - | 10,687,876 |
| <u>17,385,456</u> | <u>265,386,889</u> |
| <u>1,647,869</u> | <u>(23,731,307)</u> |
| 114,492 | 3,092,909 |
| - | 138,112,465 |
| (2,978,417) | (3,092,909) |
| <u>(2,863,925)</u> | <u>138,112,465</u> |
| (1,216,056) | 114,381,158 |
| 45,080,791 | 172,953,268 |
| <u>\$ 43,864,735</u> | <u>\$ 287,334,426</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds **\$ 114,381,158**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

| | | |
|------------------------|---------------------|------------|
| Capital outlays | \$ 40,886,607 | |
| Depreciation expense | <u>(20,673,331)</u> | |
| Net Expense Adjustment | | 20,213,276 |

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and cumulative rebate liability are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Net vacation and cumulative rebate liability used were greater than the amounts earned. 1,000,353

In the Statement of Activities, Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC. (94,631)

Proceeds received from sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. (129,539,035)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. 6,910,000

Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. 36,322

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

| | |
|---|-----------------------------------|
| Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | \$ (6,315,572) |
| An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net change in assets of the internal service fund is reported with governmental activities. | <u>(971,504)</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ 5,620,367</u></u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

| | <u>Internal Service Fund Self-Insurance</u> |
|----------------------------------|---|
| ASSETS | |
| Current Assets | |
| Deposits and investments | \$ 13,162,035 |
| Receivables | 35,485 |
| Due from other funds | 13,043 |
| Total Current Assets | <u>13,210,563</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 307,000 |
| Due to other funds | 6,753 |
| Total Current Liabilities | <u>313,753</u> |
| Noncurrent Liabilities | |
| Claim liabilities | 2,761,481 |
| Total Liabilities | <u>3,075,234</u> |
| NET ASSETS | |
| Restricted | |
| Workers' compensation | 3,045,524 |
| Retiree benefits | 7,089,805 |
| Total Net Assets | <u>\$ 10,135,329</u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Internal Service Fund Self-Insurance</u> |
|-------------------------------------|---|
| OPERATING REVENUES | |
| Charges to other funds | \$ 3,752,870 |
| OPERATING EXPENSES | |
| Professional and contract services | 4,888,873 |
| Operating Loss | <u>(1,136,003)</u> |
| NONOPERATING REVENUES | |
| Interest income | 164,499 |
| Change in Net Assets | (971,504) |
| Total Net Assets - Beginning | 11,106,833 |
| Total Net Assets - Ending | <u>\$ 10,135,329</u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Internal Service</u> <u>Fund</u> <u>Self-Insurance</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from customers | \$ 3,752,871 |
| Cash payments to other suppliers of goods or services | (4,548,958) |
| Net Cash Used by Operating Activities | <u>(796,087)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | 164,498 |
| Net Cash Provided by Investing Activities | <u>164,498</u> |
| Net Decrease in Cash and Cash Equivalents | (631,589) |
| Cash and Cash Equivalents - Beginning | 13,793,624 |
| Cash and Cash Equivalents - Ending | <u>\$ 13,162,035</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating Loss | \$ (1,136,003) |
| Changes in Assets and Liabilities: | |
| Accounts receivable | 15,802 |
| Due from other funds | 40,089 |
| Accounts payable | 89,167 |
| Due to other funds | (67,104) |
| Claims liability | 261,962 |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (796,087)</u> |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

| | <u>Agency Funds</u> |
|--------------------------|-------------------------|
| ASSETS | |
| Deposits and investments | \$ 658,262 |
| LIABILITIES | |
| Due to student groups | \$ 658,262 |

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Palm Springs Unified School District (the District) was formed in 1948, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates fifteen elementary schools, four middle schools, three high schools, one continuation high school, an adult education program, and an alternative education program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Charter School

The District has approved a Charter for the Cielo Vista Charter School pursuant to *Education Code* Section 47605. The Charter School is operated by the District, and its financial activities are presented in the Charter School Special Revenue Fund.

Basis of Presentation - Fund Accounting

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

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

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

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

Internal Service Funds Internal Service Funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance worker's compensation fund that is accounted for in an internal service fund.

Fiduciary Fund Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is comprised of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$93,865,224 of restricted net assets.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|-----------------------|
| Governmental activities | \$ 281,766,540 |
| Fiduciary funds | 658,262 |
| Total Deposits and Investments | <u>\$ 282,424,802</u> |

Deposits and investments as of June 30, 2010, consist of the following:

| | |
|--------------------------------|-----------------------|
| Cash on hand and in banks | \$ 758,262 |
| Investments | 281,666,540 |
| Total Deposits and Investments | <u>\$ 282,424,802</u> |

Policies and Practices

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

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

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

| Investment Type | Fair Value | Weighted Average Maturity |
|----------------------------------|----------------|---------------------------------|
| Riverside County Investment Pool | \$ 282,258,040 | 372* |

* Weighted average days to maturity.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Credit Risk

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

| <u>Investment Type</u> | <u>Minimum Legal Rating</u> | <u>Rating as of June 30, 2010</u> | <u>Fair Value</u> |
|----------------------------------|-------------------------------------|---|-----------------------|
| Riverside County Investment Pool | Not Required | AAA/V1+ | <u>\$ 282,258,040</u> |

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2010, the District maintained cash deposits in the amount of \$765,676 with one financial institution. Of the deposit balances, amounts on deposit up to \$250,000 are covered by Federal Deposit Insurance Corporation (FDIC) insurance at each institution. The deposits in excess of \$250,000 at anyone institution are collateralized with securities held by the pledging financial institutions' trust departments or agents, but not in the Districts name and are therefore considered collateralized risk deposits.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

| | General Fund | Building Fund | Non-Major Governmental Funds | Internal Service Funds | Total Governmental Activities |
|---------------------|----------------------|-------------------|------------------------------------|------------------------------|-------------------------------------|
| Federal Government | | | | | |
| Categorical aid | \$ 3,577,873 | \$ - | \$ 1,562,698 | \$ - | \$ 5,140,571 |
| State Government | | | | | |
| Apportionment | 20,947,976 | - | - | - | 20,947,976 |
| Categorical aid | 1,700,797 | - | 482,237 | - | 2,183,034 |
| Lottery | 716,105 | - | - | - | 716,105 |
| Local Government | | | | | |
| Interest | 135,878 | 367,966 | 96,505 | 33,218 | 633,567 |
| Redevelopment | | | | | |
| Pass-Through | 1,330,490 | - | - | - | 1,330,490 |
| Masterplan | 2,754,869 | - | - | - | 2,754,869 |
| Other Local Sources | 881,607 | 3,528 | 64,251 | 2,267 | 951,653 |
| Total | <u>\$ 32,045,595</u> | <u>\$ 371,494</u> | <u>\$ 2,205,691</u> | <u>\$ 35,485</u> | <u>\$ 34,658,265</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 66,794,375 | \$ 3,672,535 | \$ - | \$ 70,466,910 |
| Construction in progress | 53,924,200 | 36,357,301 | 19,950,374 | 70,331,127 |
| Total Capital Assets Not Being Depreciated | 120,718,575 | 40,029,836 | 19,950,374 | 140,798,037 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 1,362,658 | - | - | 1,362,658 |
| Buildings and improvements | 301,696,904 | 19,950,374 | - | 321,647,278 |
| Furniture and equipment | 12,905,560 | 856,771 | - | 13,762,331 |
| Total Capital Assets Being Depreciated | 315,965,122 | 20,807,145 | - | 336,772,267 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 74,375 | 27,253 | - | 101,628 |
| Buildings and improvements | 103,221,297 | 19,780,607 | - | 123,001,904 |
| Furniture and equipment | 8,537,022 | 865,471 | - | 9,402,493 |
| Total Accumulated Depreciation | 111,832,694 | 20,673,331 | - | 132,506,025 |
| Capital Assets, Net | <u>\$ 324,851,003</u> | <u>\$ 40,163,650</u> | <u>\$ 19,950,374</u> | <u>\$ 345,064,279</u> |

Depreciation expense charged to governmental functions as follows:

| | |
|----------------------------------|----------------------|
| Governmental Activities | |
| Instruction | \$ 19,084,501 |
| All other general administration | 638,272 |
| Plant services | 950,558 |
| Total Depreciation Expenses | <u>\$ 20,673,331</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances consist of amounts allocated between funds for various purposes. Interfund receivable and payable balances at June 30, 2010, between major and non-major governmental funds, are as follows:

| Due From | Due To | | | | Total |
|------------------------------|---------------------|------------------|------------------------------|------------------------|---------------------|
| | General Fund | Building Fund | Non-Major Governmental Funds | Internal Service Funds | |
| General Fund | \$ - | \$ 16,595 | \$ 2,350,642 | \$ 6,753 | \$ 2,373,990 |
| Building Fund | 2,665 | - | - | - | 2,665 |
| Non-Major Governmental Funds | 5,121,823 | - | 1,126 | - | 5,122,949 |
| Internal Service Funds | 11,745 | - | 1,298 | - | 13,043 |
| Total | <u>\$ 5,136,233</u> | <u>\$ 16,595</u> | <u>\$ 2,353,066</u> | <u>\$ 6,753</u> | <u>\$ 7,512,647</u> |

A balance of \$132,000 is due to the General Fund from the Adult Education (Non-Major) Fund for cash flow purposes.

A balance of \$750,000 is due to the General Fund from the Child Development (Non-Major) Fund for cash flow purposes.

A balance of \$1,000,000 is due to the General Fund from the Charter School (Non-Major) Fund for cash flow purposes.

A balance of \$5,000,000 is due to the Special Reserve (Non-Major) Fund for Other Than Capital Outlay Projects from the General Fund for cash flow purposes.

A balance of \$405,425 is due to the General Fund from the Cafeteria (Non-Major) Fund for indirect costs.

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Operating Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

| Transfer To | Transfer From | | |
|------------------------------|-------------------|------------------------------|---------------------|
| | General Fund | Non-Major Governmental Funds | Total |
| General Fund | \$ - | \$ 2,978,417 | \$ 2,978,417 |
| Non-Major Governmental Funds | 114,492 | - | 114,492 |
| Total | \$ 114,492 | \$ 2,978,417 | \$ 3,092,909 |

| | |
|--|---------------------|
| The General Fund transferred to the Charter Fund for site carryover. | \$ 109,492 |
| The General Fund transferred to the Adult Education Fund for revenue pass-through. | 5,000 |
| The Deferred Maintenance Fund transferred to the General Fund for flexibility. | 2,111,344 |
| The Adult Education Fund transferred to the General Fund for community based tutoring. | 226,097 |
| The Special Reserve Fund for Other Than Capital Outlay Projects transferred to the General Fund for other postemployment benefits. | 620,000 |
| The Capital Facilities Fund transferred to the General Fund for three percent revenue. | 20,976 |
| Total | \$ 3,092,909 |

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Internal Service Funds | Total Governmental Activities |
|-----------------------|---------------------|---------------------|------------------------------|------------------------|-------------------------------|
| Vendor payables | \$ 2,764,920 | \$ 193,584 | \$ 394,230 | \$ 307,000 | \$ 3,659,734 |
| State apportionment | 5,774,646 | - | - | - | 5,774,646 |
| Salaries and benefits | 507,181 | - | 49,298 | - | 556,479 |
| Construction | 217,111 | 4,345,048 | 412,416 | - | 4,974,575 |
| Total | \$ 9,263,858 | \$ 4,538,632 | \$ 855,944 | \$ 307,000 | \$ 14,965,434 |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2010, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities |
|------------------------------|---------------------|------------------------------------|-------------------------------------|
| Federal financial assistance | \$ 1,554,351 | \$ 3,052 | \$ 1,557,403 |
| State categorical aid | 50,817 | 118 | 50,935 |
| Other local | 441 | 19,502 | 19,943 |
| Total | <u>\$ 1,605,609</u> | <u>\$ 22,672</u> | <u>\$ 1,628,281</u> |

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

| | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 | Due in One Year |
|-----------------------------|-------------------------|-----------------------|---------------------|--------------------------|----------------------|
| General obligation bonds | \$ 231,840,000 | \$ 129,539,035 | \$ 6,910,000 | \$ 354,469,035 | \$ 13,752,596 |
| Compensated absences | 1,032,580 | 100,962 | - | 1,133,542 | - |
| Capital lease obligations | 36,322 | - | 36,322 | - | - |
| Claims liability | 2,499,519 | 261,962 | - | 2,761,481 | - |
| Cumulative rebate liability | 1,101,315 | - | 1,101,315 | - | - |
| Net OPEB obligation | 386,418 | 94,631 | - | 481,049 | - |
| | <u>\$ 236,896,154</u> | <u>\$ 129,996,590</u> | <u>\$ 8,047,637</u> | <u>\$ 358,845,107</u> | <u>\$ 13,752,596</u> |

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

Payments for accumulated vacation are typically paid by the fund for which the employee worked.

Payments for capital leases are made in the General Fund.

Payments for the cumulative rebate liability are made from the Building Fund.

Payments for claims liability are made from the Self-Insurance Fund.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds |
|------------|---------------|---------------|----------------|--------------------------|-----------------------|---------------------|---------------------------|
| | | | | Outstanding July 1, 2009 | Issued | Redeemed | Outstanding June 30, 2010 |
| 02/01/01 | 02/01/30 | 3.00-4.95% | \$ 10,000,000 | \$ 8,570,000 | \$ - | \$ 220,000 | \$ 8,350,000 |
| 06/01/01 | 02/01/20 | 2.75-4.90% | 19,510,000 | 13,055,000 | - | 935,000 | 12,120,000 |
| 11/01/01 | 08/01/31 | 2.05-4.70% | 20,000,000 | 17,350,000 | - | 415,000 | 16,935,000 |
| 07/16/02 | 02/01/19 | 1.60-4.75% | 9,265,000 | 5,940,000 | - | 500,000 | 5,440,000 |
| 10/02/02 | 02/01/21 | 1.08-4.40% | 14,470,000 | 10,300,000 | - | 685,000 | 9,615,000 |
| 08/07/02 | 08/01/33 | 1.47-4.95% | 10,000,000 | 8,980,000 | - | 205,000 | 8,775,000 |
| 04/09/03 | 08/01/33 | 1.05-4.00% | 20,000,000 | 18,330,000 | - | 435,000 | 17,895,000 |
| 05/19/04 | 02/01/18 | 2.00-4.75% | 4,615,000 | 3,565,000 | - | 265,000 | 3,300,000 |
| 10/29/04 | 08/01/33 | 1.80-4.65% | 12,500,000 | 11,780,000 | - | 250,000 | 11,530,000 |
| 11/03/05 | 02/01/23 | 2.70-4.38% | 17,300,000 | 14,355,000 | - | 810,000 | 13,545,000 |
| 06/14/06 | 02/01/36 | 3.63-4.67% | 80,000,000 | 77,615,000 | - | 1,525,000 | 76,090,000 |
| 10/23/07 | 08/01/36 | 3.40-4.62% | 42,000,000 | 42,000,000 | - | 665,000 | 41,335,000 |
| 06/15/10 | 02/01/26 | 4.37% | 19,539,035 | - | 19,539,035 | - | 19,539,035 |
| 01/12/10 | 08/01/33 | 2.00-5.00% | 110,000,000 | - | 110,000,000 | - | 110,000,000 |
| | | | | <u>\$ 231,840,000</u> | <u>\$ 129,539,035</u> | <u>\$ 6,910,000</u> | <u>\$ 354,469,035</u> |

Debt Service Requirements to Maturity

The bonds mature through 2037 as follows:

| Fiscal Year | Interest to | | Total |
|-------------|-----------------------|-----------------------|-----------------------|
| | Principal | Maturity | |
| 2011 | \$ 13,752,596 | \$ 20,827,035 | \$ 34,579,631 |
| 2012 | 13,753,988 | 20,732,829 | 34,486,817 |
| 2013 | 11,533,972 | 17,620,316 | 29,154,288 |
| 2014 | 12,490,585 | 17,707,489 | 30,198,074 |
| 2015 | 11,638,677 | 15,847,483 | 27,486,160 |
| 2016-2020 | 65,212,510 | 72,048,360 | 137,260,870 |
| 2021-2025 | 61,913,657 | 62,811,147 | 124,724,804 |
| 2026-2030 | 75,318,050 | 60,425,844 | 135,743,894 |
| 2031-2035 | 78,635,000 | 46,191,378 | 124,826,378 |
| 2036-2037 | 10,220,000 | 356,525 | 10,576,525 |
| Total | <u>\$ 354,469,035</u> | <u>\$ 334,568,406</u> | <u>\$ 689,037,441</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Compensated Absences

The accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$1,133,542.

Capital Leases

The District's liability on lease obligations has been paid as of June 30, 2010.

Claims Liability

The District has an outstanding long-term liability for incurred but not reported claims for the District's workers' compensation insurance program in the amount of \$2,761,481 at June 30, 2010.

Cumulative Rebate Liability

The District's liability on cumulative rebate liability has been paid as of June 30, 2010.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2010, was \$1,332,408 and contributions made by the District during the year were \$1,239,176. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$12,262 and \$10,863, respectively, which resulted in an increase to the net OPEB obligation of \$94,631. As of June 30, 2010, the net OPEB obligation was \$481,049. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Building Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total |
|------------------------|----------------------|-----------------------|---|------------------------------------|-----------------------|
| Reserved | | | | | |
| Revolving cash | \$ 100,000 | \$ - | \$ - | \$ - | \$ 100,000 |
| Stores inventories | 155,151 | - | - | 241,744 | 396,895 |
| Prepaid expenditures | 3,251 | - | - | - | 3,251 |
| Restricted programs | 38,332,533 | - | - | - | 38,332,533 |
| Total Reserved | <u>38,590,935</u> | <u>-</u> | <u>-</u> | <u>241,744</u> | <u>38,832,679</u> |
| Unreserved | | | | | |
| Designated | | | | | |
| Economic uncertainties | 15,804,436 | - | - | 16,811,376 | 32,615,812 |
| Other designation | 4,735,033 | 154,386,593 | - | 26,811,615 | 185,933,241 |
| Total Designated | <u>20,539,469</u> | <u>154,386,593</u> | <u>-</u> | <u>43,622,991</u> | <u>218,549,053</u> |
| Undesignated | | | | | |
| Total Unreserved | <u>20,539,469</u> | <u>154,386,593</u> | <u>29,952,694</u> | <u>43,622,991</u> | <u>248,501,747</u> |
| Total | <u>\$ 59,130,404</u> | <u>\$ 154,386,593</u> | <u>\$ 29,952,694</u> | <u>\$ 43,864,735</u> | <u>\$ 287,334,426</u> |

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Palm Springs Unified School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 153 retirees and beneficiaries currently receiving benefits, and 1,977 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Palm Springs Teachers Association (PSTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-2010, the District contributed \$1,239,176 to the Plan, all of which was used for current premiums.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

| | |
|--|--------------------------|
| Annual required contribution | \$ 1,332,408 |
| Interest on net OPEB obligation | 12,262 |
| Adjustment to annual required contribution | <u>(10,863)</u> |
| Annual OPEB cost (expense) | 1,333,807 |
| Contributions made | <u>(1,239,176)</u> |
| Increase in net OPEB obligation | 94,631 |
| Net OPEB obligation, beginning of year | <u>386,418</u> |
| Net OPEB obligation, end of year | <u><u>\$ 481,049</u></u> |

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

| Year Ended June 30, | Annual OPEB Costs | Actual Contribution | Percentage Contributed | Net OPEB Obligation |
|------------------------|----------------------|------------------------|---------------------------|------------------------|
| 2008 | \$ 1,332,408 | \$ 1,191,234 | 89.40% | \$ 141,174 |
| 2009 | 1,332,408 | 1,228,338 | 92.19% | 386,418 |
| 2010 | 1,333,807 | 1,239,176 | 92.91% | 481,049 |

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([(b - a) / c] |
|--------------------------------|-------------------------------------|--|--------------------------------------|----------------------------|------------------------|---|
| April 1, 2008 | \$ - | \$ 16,672,766 | \$ 16,672,766 | 0% | \$ 125,996,825 | 13% |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

On the April 1, 2008 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return, based on assumed long-term return on plan assets or employer assets, as appropriate. Healthcare cost trend rates were assumed at an ultimate rate of four percent based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. The level percentage payroll method was used to allocate amortization cost by year.

NOTE 11 - RISK MANAGEMENT - CLAIMS

Description

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

The District participates in various joint powers authorities (JPAs) for health coverage and property exposures (see Note 14).

Claims Liabilities

The District records an estimated liability for claims filed against it. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred, but not reported based on historical experience.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Unpaid Claim Liabilities

The Internal Service Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities of the District from July 1, 2008 to June 30, 2010:

| | Workers' Compensation |
|---|--------------------------|
| Liability Balance, July 1, 2008 | \$ 2,588,753 |
| Claims and changes in estimates | 1,895,225 |
| Claims payments | <u>(1,984,459)</u> |
| Liability Balance, June 30, 2009 | 2,499,519 |
| Claims and changes in estimates | 3,233,019 |
| Claims payments | <u>(2,971,057)</u> |
| Liability Balance, June 30, 2010 | <u>\$ 2,761,481</u> |
| Assets available to pay claims at June 30, 2010 | <u>\$ 6,120,758</u> |

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$7,425,350, \$7,974,052, and \$7,761,238, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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 survivor 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, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.709 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$3,874,604, \$3,404,194, and \$3,550,566, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,949,588 (4.267 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

Litigation

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

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

| CAPITAL PROJECTS | Remaining Construction Commitments | Expected Date of Completion |
|---|--|-----------------------------------|
| Painted Hills, formerly Sonora - Construction | \$ 23,000,000 | June, 2011 |
| Rancho Mirage High School - Construction | 115,000,000 | June, 2013 |
| New Service Center - Construction | 29,000,000 | December, 2011 |
| Cabot Yerxa Elementary | 900,000 | June, 2011 |
| | \$ 167,900,000 | |

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Southern California Regional Liability Excess Fund (SoCalReLiEF) and the Riverside Employer/Employees' Partnership for Benefits (REEP) joint powers authorities. The District pays an annual premium to each entity for its health and property and liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2010, the District made payments of \$977,771 and \$25,652,611, to SoCalReLiEF and REEP, respectively, for health and property and liability coverage.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-2010 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), 25 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances - |
|--|----------------------|----------------------|------------------------|----------------------------------|
| | (GAAP Basis) | | | Positive |
| | Original | Final | | (Negative) Final to Actual |
| REVENUES | | | | |
| Revenue limit sources | \$ 129,077,146 | \$ 115,325,805 | \$ 114,689,643 | \$ (636,162) |
| Federal sources | 21,170,885 | 24,230,289 | 19,282,406 | (4,947,883) |
| Other State sources | 25,023,818 | 25,188,612 | 33,008,185 | 7,819,573 |
| Other local sources | 19,171,922 | 24,364,013 | 25,105,134 | 741,121 |
| Total Revenues ¹ | 194,443,771 | 189,108,719 | 192,085,368 | 2,976,649 |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 92,442,024 | 93,164,976 | 91,343,968 | 1,821,008 |
| Classified salaries | 27,361,993 | 26,629,347 | 26,272,385 | 356,962 |
| Employee benefits | 42,350,574 | 40,603,071 | 44,524,953 | (3,921,882) |
| Books and supplies | 7,443,340 | 12,655,425 | 7,897,633 | 4,757,792 |
| Services and operating expenditures | 22,075,100 | 23,633,850 | 20,430,958 | 3,202,892 |
| Capital outlay | 163,075 | 1,556,136 | 897,608 | 658,528 |
| Other outgo | (506,038) | (490,582) | (468,921) | (21,661) |
| Total Expenditures ¹ | 191,330,068 | 197,752,223 | 190,898,584 | 6,853,639 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,113,703 | (8,643,504) | 1,186,784 | 9,830,288 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 650,000 | 2,978,441 | 2,978,417 | (24) |
| Transfers out | - | 5,000 | (114,492) | (119,492) |
| Net Financing Sources (Uses) | 650,000 | 2,983,441 | 2,863,925 | (119,516) |
| NET CHANGE IN FUND BALANCES | 3,763,703 | (5,660,063) | 4,050,709 | 9,710,772 |
| Fund Balance - Beginning | 55,079,695 | 55,079,695 | 55,079,695 | - |
| Fund Balance - Ending | \$ 58,843,398 | \$ 49,419,632 | \$ 59,130,404 | \$ 9,710,772 |

¹ On behalf payments of \$3,949,588 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS AND EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) - Unprojected Unit Credit (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|--|--|--|---------------------------------|--------------------------------|--|
| April 1, 2008 | \$ - | \$ 16,672,766 | \$ 16,672,766 | 0% | \$ 125,996,825 | 13% |

The District has placed \$7,089,805 in the Internal Service Fund as being expressly for the purpose of funding the future liability associated with the District's OPEB obligation. This designation is not allowed to be included in the actuarial value of assets noted above. If this amount would have been placed into an irrevocable trust in accordance with GASB Statement No. 43 guidelines, as of year-end, the calculation of the actuarial value of assets would have been \$7,089,805. The unfunded AAL would have been \$9,582,961. The funded ratio would have been 43 percent, and the UAAL as a percentage of covered payroll, would have been eight percent, accordingly.

SUPPLEMENTARY INFORMATION

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|----------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| SDFS National Grants | 84.184E | [1] | \$ 50,261 ✓ |
| Small Learning Communities | 84.215L | [1] | 91,763 ✓ |
| Passed through California Department of Education (CDE): | | | |
| Adult Education, Basic Grants to States Cluster | | | |
| Adult Basic Education, Adult Basic Education and ESL | 84.002A | 14508 | 113,909 ✓ |
| Adult Basic Education, Adult Secondary | 84.002 | 13978 | 9,187 ✓ |
| Adult Basic Education, English Literacy and Civics Education | 84.002A | 14109 | 25,645 ✓ |
| Total Adult Education, Basic Grants to States Cluster | | | <u>148,741</u> |
| Carl D. Perkins Vocational and Technical Education Act of 1998 | | | |
| Secondary Education II C, Section 131 | 84.048 | 14894 | 183,954 ✓ |
| Passed through Riverside County Special Education Local Plan Area: | | | |
| Individuals with Disabilities Act (IDEA) | | | |
| Special Education (IDEA) Cluster | | | |
| Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | 3,110,924 ✓ |
| Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 767 ✓ |
| Basic Local Assistance ARRA, Part B, Section 611 | 84.391 | 15003 | 2,125,834 ✓ |
| Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 67,509 ✓ |
| Preschool Grants ARRA, Part B, Section 619 | 84.392 | 15000 | 37,275 ✓ |
| Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5) | 84.027A | 13682 | 122,557 ✓ |
| Preschool Local Entitlement ARRA, Part B, Section 611 | 84.391 | 15002 | 26,518 ✓ |
| Preschool Staff Development, Part B, Section 619 | 84.173A | 13431 | 484 ✓ |
| Total Special Education (IDEA) Cluster | | | <u>5,491,868</u> |
| No Child Left Behind Act (NCLB) | | | |
| Title I, Part A Cluster | | | |
| Title I, Part A, Basic Grants Low Income and Neglected | 84.010 | 14329 | 5,234,652 ✓ |
| Title I, Part A, ARRA Basic Grants Low Income and Neglected | 84.389 | 15005 | 963,469 ✓ |
| Title I, Part A, Program Improvement LEA Corrective Action Resources | 84.010 | 14956 | 538,576 ✓ |
| Total Title I, Part A Cluster | | | <u>6,736,697</u> |
| ARRA: State Fiscal Stabilization Fund (SFSF) | 84.394 | 25008 | 4,049,540 ✓ |
| Title I, Part B, Even Start Family Literacy | 84.213C | 14331 | 110,022 ✓ |
| Reading First State Grants Cluster: | | | |
| Title I, Part B, Reading First Program - LEA subgrant | 84.357 | 14328 | 387,565 ✓ |
| Title I, Part B, Reading First, Special Education Teacher Professional Development Pilot | 84.357 | 14911 | 177,602 ✓ |
| Total Reading First State Grants Cluster | | | <u>565,167</u> |

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|---|----------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION (Continued) | | | |
| Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program | 84.330 | 14831 | \$ 3,627 ✓ |
| Improving Teacher Quality State Grants Cluster: | | | |
| Title II, Part A, Improving Teacher Quality Local Grants | 84.367 | 14341 | 829,240 ✓ |
| Title II, Part A, Administrator Training | 84.367 | 14344 | 4,058 ✓ |
| Total Improving Teacher Quality State Grants Cluster | | | <u>833,298</u> |
| Title II, Part B, California Mathematics and Science Partnership Education Technology State Grants Cluster: | 84.366B | 14512 | 37,654 |
| Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants | 84.318 | 14334 | 53,211 ✓ |
| Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants | 84.318 | 14368 | 59,715 ✓ |
| Total Education Technology State Grants Cluster | | | <u>112,926</u> |
| Title III - Limited English Proficient (LEP) Student Program | 84.365 | 10084 | 823,213 ✓ |
| Title IV, Part A, Safe and Drug Free Schools and Communities, Formula Grants | 84.186 | 14347 | 129,703 ✓ |
| Title X, McKinney-Vento Homeless Children Assistance Grants | 84.196 | 14332 | 2,286 ✓ |
| Total U.S. Department of Education | | | <u>19,370,720</u> |
| U.S. DEPARTMENT OF DEFENSE | | | |
| Reserve Officer Training Corps (ROTC) | 12.000 | [1] | <u>170,187</u> ✓ |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Forest Reserve | 10.665 | 10044 | 4,218 ✓ |
| Passed through California Department of Education (CDE): | | | |
| Child Nutrition Cluster | | | |
| Especially Needy Breakfast | 10.553 | 13526 | 1,570,057 ✓ |
| National School Lunch Program | 10.555 | 13524 | 6,567,609 ✓ |
| Meal Supplement | 10.555 | 13396 | 199,545 ✓ |
| Summer Food Service Program Operations | 10.559 | 13004 | 217,362 ✓ |
| Summer Food Service Sponsor Administration | 10.559 | 13006 | 22,596 ✓ |
| Food Distribution | 10.555 | [1] | 573,097 ✓ |
| Total Child Nutrition Cluster | | | <u>9,150,266</u> |
| American Recovery and Reinvestment Act (ARRA) Equipment Assistance Grants | 10.579 | 15006 | 176,661 ✓ |
| Total U.S. Department of Agriculture | | | <u>9,331,145</u> |

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|----------------|---|-----------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through California Department of Health Services: | | | |
| Medicaid Cluster | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | \$ 547,529 |
| Medical Administrative Activities Program | 93.778 | 10060 | 269,929 |
| Total Medicaid Cluster | | | <u>817,458</u> |
| Child Development California Preschool Instructional Network (CPIN) | 84.173 | 14869 | 1,444 |
| Passed through Riverside County Office of Education (RCOE): | | | |
| Head Start Cluster | | | |
| Head Start | 93.600 | 10016 | 1,629,982 |
| Head Start - ARRA | 93.708 | 10130 | 69,819 |
| Total Head Start Cluster | | | <u>1,699,801</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,518,703</u> |
| Total Federal Programs | | | <u><u>\$ 31,390,755</u></u> |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2010

ORGANIZATION

The Palm Springs Unified School District was established in 1948, and consists of an area comprising approximately 498 square miles. The District operates fifteen elementary schools, four middle schools, three high schools, one continuation high school, an adult education program, and an alternative education program. There were no boundary changes during the year.

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|--------------------|---------------|---------------------|
| Shari Stewart | President | 2012 |
| Richard Clapp | Clerk | 2012 |
| Justin Blake | Member | 2010 |
| Gary Jeandron | Member | 2010 |
| Meredy Shoenberger | Member | 2010 |

ADMINISTRATION

| | |
|---------------------------|--|
| Lorri S. McCune, Ed.D. | Superintendent |
| James Novak | Assistant Superintendent, Business Services |
| Christine Anderson, Ed.D. | Assistant Superintendent, Educational Services |
| Mauricio Arellano | Assistant Superintendent, Human Resources |
| Craig Borba, Ed.D. | Assistant Superintendent, Pupil Personnel Services |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2010**

| | Final Report | |
|------------------------|-------------------------|----------------------|
| | Second Period Report | Annual Report |
| ELEMENTARY | | |
| Kindergarten | 1,563 | 1,575 |
| First through third | 5,182 | 5,184 |
| Fourth through sixth | 5,078 | 5,079 |
| Seventh and eighth | 3,252 | 3,239 |
| Opportunity schools | 14 | 15 |
| Home and hospital | 2 | 3 |
| Special education | 470 | 478 |
| Total Elementary | <u>15,561</u> | <u>15,573</u> |
| SECONDARY | | |
| Regular classes | 6,152 | 6,052 |
| Continuation education | 395 | 368 |
| Opportunity schools | 60 | 56 |
| Home and hospital | 3 | 4 |
| Special education | 242 | 241 |
| Total Secondary | <u>6,852</u> | <u>6,721</u> |
| Total K-12 | <u><u>22,413</u></u> | <u><u>22,294</u></u> |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2010**

| Grade Level | 1982-83 | 1982-83 | 1986-87 | 1986-87 | 2009-10 | Number of Days | | Status |
|---------------|-------------------|--------------------|------------------------|-----------------------------------|-------------------|-------------------------|------------------------|----------|
| | Actual Minutes | Reduced Minutes | Minutes Requirement | Reduced Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar | |
| Kindergarten | 31,680 | 30,800 | 36,000 | 35,000 | 36,000 | 180 | 175 | Complied |
| Grades 1 - 3 | 49,280 | 47,911 | 50,400 | 49,000 | | | | |
| Grade 1 | | | | | 51,885 | 180 | 175 | Complied |
| Grade 2 | | | | | 51,885 | 180 | 175 | Complied |
| Grade 3 | | | | | 51,885 | 180 | 175 | Complied |
| Grades 4 - 5 | 49,280 | 47,911 | 54,000 | 52,500 | | | | |
| Grade 4 | | | | | 54,000 | 180 | 175 | Complied |
| Grade 5 | | | | | 54,000 | 180 | 175 | Complied |
| Grades 6 - 8 | 49,280 | 47,911 | 54,000 | 52,500 | | | | |
| Grade 6 | | | | | 57,860 | 180 | N/A | Complied |
| Grade 7 | | | | | 57,860 | 180 | N/A | Complied |
| Grade 8 | | | | | 57,860 | 180 | N/A | Complied |
| Grades 9 - 12 | 64,218 | 62,434 | 64,800 | 63,000 | | | | |
| Grade 9 | | | | | 65,028 | 180 | N/A | Complied |
| Grade 10 | | | | | 65,028 | 180 | N/A | Complied |
| Grade 11 | | | | | 65,028 | 180 | N/A | Complied |
| Grade 12 | | | | | 65,028 | 180 | N/A | Complied |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY OF THE PROPOSITION 10 GRANT
FOR THE YEAR ENDED JUNE 30, 2010**

| | Proposition 10 Agreement Number | |
|------------------------|------------------------------------|---------------------------------|
| | 7014 LS-08 | 700-SR-09 (Cycle 2) |
| | July 1, 2009 - June 30, 2010 | July 1, 2009 - June 30, 2010 |
| REVENUES | | |
| State categorical aid | \$ 357,016 | \$ 365,875 |
| EXPENDITURES | | |
| Personnel and benefits | \$ 249,074 | \$ 359,875 |
| Operating expenditures | 107,942 | 6,000 |
| | <u>\$ 357,016</u> | <u>\$ 365,875</u> |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

| | (Budget) 2011 ¹ | 2010 | 2009 | 2008 |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|
| GENERAL FUND | | | | |
| Revenues | \$ 170,425,142 | \$ 192,085,368 | \$ 212,300,959 | \$ 209,283,945 |
| Other sources and transfers in | 641,000 | 2,978,417 | 286,510 | 75,639 |
| Total Revenues and Other Sources | 171,066,142 | 195,063,785 | 212,587,469 | 209,359,584 |
| Expenditures | 178,784,847 | 190,898,584 | 203,079,389 | 201,775,559 |
| Other uses and transfers out | - | 114,492 | 2,831,242 | 934,857 |
| Total Expenditures and Other Uses | 178,784,847 | 191,013,076 | 205,910,631 | 202,710,416 |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (7,718,705) | \$ 4,050,709 | \$ 6,676,838 | \$ 6,649,168 |
| ENDING FUND BALANCE | \$ 51,411,699 | \$ 59,130,404 | \$ 55,079,695 | \$ 48,402,857 |
| AVAILABLE RESERVES ² | \$ 9,068,966 | \$ 15,804,436 | \$ 22,565,089 | \$ 22,675,632 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³ | 5.1% | 8.4% | 12.7% | 11.4% |
| LONG-TERM OBLIGATIONS | N/A | \$ 358,845,107 | \$ 236,896,154 | \$ 243,033,456 |
| AVERAGE DAILY ATTENDANCE AT P-2 ⁴ | 22,053 | 22,413 | 22,765 | 22,667 |

The General Fund balance has increased by \$10,727,547 over the past two years. The fiscal year 2010-2011 budget projects a decrease of \$7,718,705 (13.05 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 each of the past three years, but anticipates incurring an operating deficit during the 2010-2011 fiscal year. Total long-term obligations have increased by \$115,811,651 over the past two years.

Average daily attendance has decreased by 254 over the past two years. Additional decline of 360 ADA is anticipated during fiscal year 2010-2011.

¹ Budget 2011 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.

³ On behalf payments of \$3,949,588, \$4,484,445, and \$4,380,602 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2010, 2009, and 2008, respectively.

⁴ Excludes adult education and ROP ADA.

See accompanying note to supplementary information.

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2010**

| <u>Name of Charter School</u> | <u>Included in Audit Report</u> |
|-------------------------------|-------------------------------------|
| Cielo Vista Charter School | Yes |

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

| | Charter School Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund |
|--|------------------------------------|-------------------------------------|---------------------------------------|---------------------------|
| ASSETS | | | | |
| Deposits and investments | \$ 1,000,000 | \$ 68,675 | \$ 409,908 | \$ 3,265,425 |
| Receivables | 28 | 110,404 | 407,309 | 1,604,215 |
| Due from other funds | 109,492 | 1,214 | 323 | 2,293 |
| Stores inventories | - | - | - | 241,744 |
| Total Assets | \$ 1,109,520 | \$ 180,293 | \$ 817,540 | \$ 5,113,677 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 7,620 | \$ 60,370 | \$ 202,624 |
| Due to other funds | 1,000,028 | 159,373 | 754,000 | 408,023 |
| Deferred revenue | - | - | 3,170 | 19,502 |
| Total Liabilities | 1,000,028 | 166,993 | 817,540 | 630,149 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Stores inventories | - | - | - | 241,744 |
| Unreserved: | | | | |
| Designated | 109,492 | 13,300 | - | 4,241,784 |
| Total Fund Balances | 109,492 | 13,300 | - | 4,483,528 |
| Total Liabilities and Fund Balances | \$ 1,109,520 | \$ 180,293 | \$ 817,540 | \$ 5,113,677 |

See accompanying note to supplementary information.

| Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds |
|---------------------------------|---|-------------------------------|--|---|------------------------------------|
| \$ 1,642,852 | \$ 10,559,453 | \$ 16,790,885 | \$ 3,224,645 | \$ 2,564,190 | \$ 39,526,033 |
| 8,405 | 23,193 | 44,083 | 1,460 | 6,594 | 2,205,691 |
| - | 5,000,000 | 9,627 | - | - | 5,122,949 |
| - | - | - | - | - | 241,744 |
| <u>\$ 1,651,257</u> | <u>\$ 15,582,646</u> | <u>\$ 16,844,595</u> | <u>\$ 3,226,105</u> | <u>\$ 2,570,784</u> | <u>\$ 47,096,417</u> |
| | | | | | |
| \$ 409,550 | \$ - | \$ 175,780 | \$ - | \$ - | \$ 855,944 |
| - | - | 31,642 | - | - | 2,353,066 |
| - | - | - | - | - | 22,672 |
| <u>409,550</u> | <u>-</u> | <u>207,422</u> | <u>-</u> | <u>-</u> | <u>3,231,682</u> |
| | | | | | |
| - | - | - | - | - | 241,744 |
| | | | | | |
| 1,241,707 | 15,582,646 | 16,637,173 | 3,226,105 | 2,570,784 | 43,622,991 |
| <u>1,241,707</u> | <u>15,582,646</u> | <u>16,637,173</u> | <u>3,226,105</u> | <u>2,570,784</u> | <u>43,864,735</u> |
| | | | | | |
| <u>\$ 1,651,257</u> | <u>\$ 15,582,646</u> | <u>\$ 16,844,595</u> | <u>\$ 3,226,105</u> | <u>\$ 2,570,784</u> | <u>\$ 47,096,417</u> |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

| | Charter School Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund |
|--|---------------------------|----------------------------|------------------------------|---------------------|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 148,741 | \$ 1,444 | \$ 9,326,926 |
| Other State sources | - | - | 2,673,348 | 698,305 |
| Other local sources | - | 38,559 | 29,063 | 1,793,428 |
| Total Revenues | - | 187,300 | 2,703,855 | 11,818,659 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | 312,403 | 2,084,734 | - |
| Instruction-related activities: | | | | |
| Supervision of instruction | - | - | 393,891 | - |
| School site administration | - | 207,344 | - | - |
| Pupil services: | | | | |
| Food services | - | - | 12,100 | 9,976,667 |
| All other pupil services | - | 750 | 124,467 | - |
| Administration: | | | | |
| All other administration | - | 23,201 | 47,269 | 405,425 |
| Plant services | - | 65,217 | 41,394 | 7,367 |
| Facility acquisition and construction | - | - | - | 29,460 |
| Total Expenditures | - | 608,915 | 2,703,855 | 10,418,919 |
| Excess (Deficiency) of Revenues Over Expenditures | - | (421,615) | - | 1,399,740 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 109,492 | 5,000 | - | - |
| Transfers out | - | (226,097) | - | - |
| Net Financing Sources (Uses) | 109,492 | (221,097) | - | - |
| NET CHANGE IN FUND BALANCES | 109,492 | (642,712) | - | 1,399,740 |
| Fund Balance - Beginning | - | 656,012 | - | 3,083,788 |
| Fund Balance - Ending | \$ 109,492 | \$ 13,300 | \$ - | \$ 4,483,528 |

See accompanying note to supplementary information.

| Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds |
|---------------------------------|---|-------------------------------|--|---|------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,477,111 |
| - | - | - | 3,224,645 | - | 6,596,298 |
| 51,953 | 106,590 | 906,695 | 1,460 | 32,168 | 2,959,916 |
| 51,953 | 106,590 | 906,695 | 3,226,105 | 32,168 | 19,033,325 |
| - | - | - | - | - | 2,397,137 |
| - | - | - | - | - | 393,891 |
| - | - | - | - | - | 207,344 |
| - | - | - | - | - | 9,988,767 |
| - | - | - | - | - | 125,217 |
| - | - | 492,867 | - | - | 968,762 |
| 885,693 | - | 896,984 | - | - | 1,896,655 |
| 360,446 | - | 1,017,777 | - | - | 1,407,683 |
| 1,246,139 | - | 2,407,628 | - | - | 17,385,456 |
| (1,194,186) | 106,590 | (1,500,933) | 3,226,105 | 32,168 | 1,647,869 |
| - | - | - | - | - | 114,492 |
| (2,111,344) | (620,000) | (20,976) | - | - | (2,978,417) |
| (2,111,344) | (620,000) | (20,976) | - | - | (2,863,925) |
| (3,305,530) | (513,410) | (1,521,909) | 3,226,105 | 32,168 | (1,216,056) |
| 4,547,237 | 16,096,056 | 18,159,082 | - | 2,538,616 | 45,080,791 |
| \$ 1,241,707 | \$ 15,582,646 | \$ 16,637,173 | \$ 3,226,105 | \$ 2,570,784 | \$ 43,864,735 |

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010. The unspent balances are reported as legally restricted ending balances within the General Fund.

| Description | CFDA Number | Amount |
|--|----------------|----------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance: | | \$ 28,759,517 |
| ARRA: State Fiscal Stabilization Fund | 84.394 | 3,069,949 |
| Medical Administrative Activities Program | 93.778 | (216,742) |
| Medi-Cal Billing Option | 93.778 | (221,969) |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 31,390,755</u> |

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-1983 actual minutes or the 1986-1987 requirements, whichever is greater, as required by *Education Code* Section 46201. Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instructional minutes for the fiscal years 2009-2010 through 2012-2013.

Summary of Proposition 10 Grants

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

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INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Palm Springs Unified School District
Palm Springs, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District as of and for the year ended June 30, 2010, which collectively comprise Palm Springs Unified School District's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Palm Springs Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Palm Springs Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Palm Springs Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Palm Springs Unified School District in a separate letter dated December 15, 2010.

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

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 15, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Palm Springs Unified School District
Palm Springs, California

Compliance

We have audited the compliance of Palm Springs Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Palm Springs Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Palm Springs Unified School District's management. Our responsibility is to express an opinion on Palm Springs Unified School District's compliance based on our audit.

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

In our opinion, Palm Springs Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Palm Springs Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Palm Springs Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Palm Springs Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Vavrinek, Trinc, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2010



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Palm Springs Unified School District
 Palm Springs, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

| | Procedures in Audit Guide | Procedures Performed |
|--|------------------------------|-------------------------|
| Attendance Accounting: | | |
| Attendance reporting | 8 | Yes |
| Kindergarten continuance | 3 | Yes |
| Independent study | 23 | Yes |
| Continuation education | 10 | Yes |
| Instructional Time: | | |
| School districts | 6 | Yes |
| County offices of education | 3 | Not Applicable |
| Instructional Materials: | | |
| General requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early retirement incentive | 4 | Not Applicable |
| Gann limit calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Public hearing requirement - receipt of funds | 1 | Yes |

| | <u>Procedures in Audit Guide</u> | <u>Procedures Performed</u> |
|--|--------------------------------------|---------------------------------|
| Class Size Reduction Program (including in Charter Schools): | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Yes |
| District or charter schools with only one school serving K-3 | 4 | Not Applicable |
| After School Education and Safety Program: | | |
| General requirements | 4 | Yes |
| After school | 4 | Yes |
| Before school | 5 | Not Applicable |
| Charter Schools: | | |
| Contemporaneous records of attendance | 1 | No, see below |
| Mode of instruction | 1 | No, see below |
| Non classroom-based instruction/independent study | 15 | Not Applicable |
| Determination of funding for non classroom-based instruction | 3 | Not Applicable |
| Annual instruction minutes classroom based | 3 | No, see below |

We did not perform testing for the Charter School because the Charter had not yet begun operations as of June 30, 2010.

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

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

Vaurinck, Tring, Day & Co., LLP
Rancho Cucamonga, California
December 15, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditors' report issued: | <u>Unqualified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <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 Section .510(a) of OMB Circular A-133? | <u>No</u> |
| Identification of major programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|--|--|
| <u>84.394 (ARRA)</u> | <u>State Fiscal Stabilization Funds (ARRA)</u> |
| <u>84.027, 84.027A, 84.173, 84.173A, 84.391 (ARRA) and 84.392 (ARRA)</u> | <u>Special Education (IDEA) Cluster (including ARRA)</u> |
| <u>93.600 and 93.708 (ARRA)</u> | <u>Head Start Cluster (including ARRA)</u> |
| <u>84.010 and 84.389 (ARRA)</u> | <u>Title I Part A Cluster (including ARRA)</u> |
| <u>10.579 (ARRA)</u> | <u>Child Nutrition: ARRA Equipment Assistance Grant</u> |
| <u>93.778</u> | <u>Medicaid Cluster</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 941,723</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|---|----------------------|
| Internal control over State programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <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, 2010**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

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

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Governing Board
Palm Springs Unified School District
Palm Springs, California

In planning and performing our audit of the financial statements of Palm Springs Unified School District (the District), for the year ended June 30, 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the combined and combining financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2010, on the government-wide financial statements of Palm Springs Unified School District.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

ASSOCIATED STUDENT BODY (ASB)

Cathedral City High School

Missing Deposit

Finding

In reviewing the site's June 2010 checking account bank reconciliation, the auditor noted one outstanding deposit in the amount of \$176.53, dated June 18, 2009. The deposit was over 12 months old and had not cleared by the date of audit.

Recommendation

The ASB bookkeeper should follow-up with the bank and armored courier if a deposit is outstanding for more than 30 days, as the deposit may have been lost or stolen. In addition, timely follow-up may lead to the recovery of the deposit and credit to the ASB's account. The site should develop adequate controls over cash deposit procedures and follow-up in order to safeguard assets.

Revenue Potentials

Finding

In reviewing the revenue potential forms, it was noted that all revenue potential forms were not completely filled out. The actual expense and the fundraiser analysis portions of the revenue potential forms were incomplete, as well as the acknowledgement signature from the ASB advisor was missing.

Recommendation

Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential form, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. In addition, a review by the ASB advisor should be performed to denote a review and acknowledgement of the results of the fundraiser.

Student Store

Finding

During our audit, we noted that the daily sales report identifying items sold and reconciled to cash collected is not prepared, as well as no cash receipts are used for cash transactions. This makes it difficult to trace the cash collected to the cash receipts and to the deposits made as this does not create an adequate audit trail for the student store.

Recommendation

A daily sales report identifying items sold and reconciled to cash collected should be prepared so that an audit trail can be maintained for all the sales made in the student store. Pre-numbered receipts should be issued for all cash collections by the ASB bookkeeper, which would include a specific description of the source of the funds. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. This will ensure the safeguarding of all student inventory and cash receipts generated through student.

Inventory Listing

Finding

The student store does not maintain a perpetual inventory of the merchandise purchased or sold; therefore, no accountability exists for the inventory. In addition, the student store account includes all student sales and expenditure activity, as well as the inventory balance.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, and profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the ASB of the site. In addition, the student store inventory should be accounted for in a separate account from student store sales and operations.

Financial Statements

Finding

The student store monthly inventory is not recognized on the ASB financial statements; therefore, the site does not appear to be aware of its year-end inventory balance.

Recommendation

The student store inventory should be listed as an individual asset on the ASB's financial statements. This would ensure the inventory is reconciled properly to the monthly inventory count.

Mount San Jacinto High School

Finding

In reviewing the site's outstanding check listing for the June 2010 reconciliation, the auditor noted that one check was over one year old, making the probability of the check clearing the account quite low.

Recommendation

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

Raymond Cree Middle School

Revenue Potentials

Finding

In reviewing the revenue potential forms, it was noted that all revenue potential forms were not completely filled out. The actual expense and the fundraiser analysis portions of the revenue potential forms were incomplete, as well as the acknowledgement signature from the ASB advisor was missing.

Recommendation

Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential form, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. In addition, a review by the ASB advisor should be performed to denote a review and acknowledgement of the results of the fundraiser.

Student Store

Finding

During our audit, we noted that the daily sales report identifying items sold and reconciled to cash collected is not prepared. This makes it difficult to trace cash receipts to deposits made, as this does not create an adequate audit trail for the student store.

Recommendation

A daily sales report identifying items sold and reconciled to cash collected should be prepared so that an audit trail can be maintained of all the sales made in the student store. This will ensure the safeguarding of all student inventory and cash receipts generated through students.

Ticket Logs

Finding

A master ticket log is not being used by the site to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared, which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket. We were unable to review the ticket log, due to the ticket log being thrown away by a student at the last fundraising event).

Recommendation

A master ticket log should be maintained, which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out, noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Undocumented Deposits

Finding

During our audit of cash receipts, we noted an undocumented deposit in the amount of \$12,658.25. The ASB advisor could not provide an explanation for the increase in the checking account balance from December 2009 to January 2010, as she did not make any deposits to the account for either month.

Recommendation

Since the accounting for the ASB is done through the District Office, the ASB advisor needs to obtain clarification and back-up documentation from the Accounts Receivable Clerk as to the increase in funds month over month.

Palm Springs High School

Inventory Listing

Finding

The student store does not maintain a perpetual inventory of the merchandise purchased or sold; therefore, no accountability exists for the inventory. In addition, the ASB Student Store account includes all student store sales and expenditure activity, as well as the inventory balance.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, and profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the ASB of the site. In addition, the student store inventory should be accounted for in a separate account from student store sales and operations.

Revenue Potential

Finding

The revenue potential forms are not completed at the site. We found that the majority of the forms are not completed and the acknowledgement signature of the ASB advisor was absent.

Recommendation

Revenue earned in the ASB fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the ASB funds. One important internal control feature is the revenue potential form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were, based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow the bookkeeper to compare the advisor's log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed, signed, and turned in to the bookkeeper at the conclusion of the fundraiser.

Student Council Meeting Minutes

Finding

The minutes of the Student Council meetings are not complete as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education. The auditor noted that expenditures were not being addressed or approved in the Student Council meeting minutes (evident by signatures).

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fundraising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it, and the final vote on the motion.

SITE CASH

Katherine Finchy Elementary School

Finding

We noted inadequate safeguarding of cash collections in the library. Cash collected is kept in a plastic tray under the librarian's desk, in clear view and access of anyone passing through. In addition, library cash collections are kept in the school PTA's checking account throughout the school year. The librarian is reimbursed by the PTA treasurer for any purchases of pencils, erasers and books for the library during the year, and the treasurer will write a check for the remaining balance to the library at the end of the school year. The librarian in turn deposits the money and receipts for damaged or lost books, and any additional funds collected for the sale of pencils and erasers to the District at year-end.

Recommendation

The librarian should keep cash collected in a locked cabinet or safe to ensure proper safe-guarding of cash collected. In addition, cash collected at the library should not be deposited into the PTA's checking account. The librarian should deposit cash to the District upon receipt of the money or when it reaches a certain dollar amount and prepare the deposit in a timely manner, as opposed to holding the cash collected until the end of the school year.

Vista Del Monte Elementary School

Finding

We noted inadequate safeguarding of cash collections in the library. Cash collected is kept in an unlocked cabinet behind the librarian's desk in clear view and access of anyone passing through.

Governing Board
Palm Springs Unified School District

Recommendation

The librarian should keep cash collected in a locked cabinet or safe to ensure proper safeguarding of cash collected.

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

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 15, 2010