



**PALM SPRINGS UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009



PALM SPRINGS UNIFIED SCHOOL DISTRICT

OF RIVERSIDE COUNTY

PALM SPRINGS, CALIFORNIA

JUNE 30, 2009

GOVERNING BOARD

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

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



PALM SPRINGS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2009

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	19
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	52
General Fund - Budgetary Comparison Schedule - Special Reserve	53
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	54

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	56
Local Education Agency Organization Structure	58
Schedule of Average Daily Attendance	59
Schedule of Instructional Time	60
Schedule of Revenues and Expenditures - Proposition 10 Grants	61
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	62
Schedule of Financial Trends and Analysis	63
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	65
Note to Supplementary Information	66

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	71
Report on State Compliance	73

PALM SPRINGS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	76
Financial Statement Findings	77
Federal Award Findings and Questioned Costs	78
State Award Findings and Questioned Costs	79
Summary Schedule of Prior Audit Findings	80
Management Letter	81

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, 2009, 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 2008-09*, 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, 2009, 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 accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

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 14, 2009, 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 13 and budgetary comparison and other postemployment information on pages 52 through 54, 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*, and the Combining Statements – Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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.

Vannink, Tei, Day & Co., LLP
Rancho Cucamonga, California
December 14, 2009



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

This section of Palm Springs Unified School District's (the District) (2008-2009) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009, with comparative information from June 30, 2008. 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, 2009

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's financial status has remained positive.

- Overall revenues were \$3.8 million more than expenses.
- Total net assets in governmental activities were recorded at \$267.5 million.
- The General Fund reported a positive fund balance of \$55.1 million.
- Completed approximately \$36 million on construction projects.
- Proceeding with fourth high school for an estimated cost of \$200 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, 2009

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, 2009**

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$270.1 million for the fiscal year ended June 30, 2009, an increase of \$4.6 million, or .8 percent over the prior year. Of this amount, \$53.2 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	
	2009	2008
Assets		
Current and other assets	\$ 219.9	\$ 242.9
Capital assets	324.9	302.4
Total Assets	<u>544.8</u>	<u>545.3</u>
Liabilities		
Current liabilities	40.2	43.0
Long-term obligations	234.5	236.9
Total Liabilities	<u>274.7</u>	<u>279.9</u>
Net Assets		
Invested in capital assets, net of related debt	153.7	156.0
Restricted	63.1	68.9
Unrestricted	53.2	40.5
Total Net Assets	<u>\$ 270.0</u>	<u>\$ 265.4</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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 15. 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	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 1.7	\$ 2.2
Operating grants and contributions	49.0	62.6
Capital grants and contributions	2.5	-
General revenues:		
Unrestricted	115.3	108.6
Property taxes	63.7	58.9
Other general revenues	16.1	17.1
Total Revenues	<u>248.3</u>	<u>249.4</u>
Expenses		
Instruction-related	170.0	164.1
Student support services	23.0	21.6
Administration	13.4	12.7
Maintenance and operations	24.5	23.4
Other	12.8	13.2
Total Expenses	<u>243.7</u>	<u>235.0</u>
Change in Net Assets	<u>\$ 4.6</u>	<u>\$ 14.4</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Governmental Activities

As reported in the *Statement of Activities* on page 15, the net cost of all of our governmental activities this year was \$190.5 million, an increase of \$27.4 million, or 12.5% from the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was \$63.7 million because the cost was paid by those who benefited from the programs (\$1.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$51.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$131.4 million in State funds and other revenues, like interest, and general entitlements.

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's 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	
	2009	2008
Instruction-related	\$ 134.0	\$ 118.1
Student support services	8.2	6.3
Administration	12.3	11.2
Maintenance and operations	24.3	21.3
Other activities	11.7	13.2
Total	\$ 190.5	\$ 170.1

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$173 million, which is a decrease of \$31.7 million from last year.

Table 4

	<u>Balances and Activity</u>			
	<u>July 1, 2008</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2009</u>
General Fund	\$ 48,402,857	\$ 212,587,469	\$ 205,910,631	\$ 55,079,695
Special Reserve Fund for Other Than Capital Projects	15,837,988	258,068	-	16,096,056
Building Fund	90,211,428	2,049,776	34,114,227	58,146,977
Capital Facilities Fund	20,518,790	1,667,457	4,027,165	18,159,082
Non-Major Governmental Funds	29,673,159	37,046,166	41,247,867	25,471,458
Total	\$ 204,644,222	\$ 253,608,936	\$ 285,299,890	\$ 172,953,268

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in August 2009. (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 52.)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had \$324.9 million in a broad range of capital assets, including land, construction in progress, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$22.5 million, or 7.4%, over last year. Depreciation expense of \$14.0 million was allocated to governmental activities during 2009.

Table 5

(Amounts in millions)

	Governmental Activities	
	2009	2008
Land	\$ 66.8	\$ 62.8
Construction in progress	53.9	24.0
Land improvements	1.3	1.3
Buildings and improvements	198.5	210.8
Furniture and equipment	4.4	3.5
Total	\$ 324.9	\$ 302.4

This year's additions of approximately \$36.5 million consist of; land purchases, construction of new and modernization of existing school sites, and equipment required for the operation of schools and support services.

Long-Term Obligations

At the end of this year, the District had \$231.8 million in general obligation bonds outstanding versus \$237.7 million last year, an increase of 5.9%. Unpaid accumulated vacation of \$1 million, claims liability of \$2.5 million, arbitrage of \$1.5 million, and \$0.3 million of net OPEB obligation are also included:

Table 6

(Amounts in millions)

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 231.8	\$ 237.7
Compensated absences	1.0	0.8
Capital lease obligations	-	0.3
Claims liability	2.5	3
Cumulative rebate liability	1.5	2
Net OPEB obligation	0.3	0
Total	\$ 237.1	\$ 243.0

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2008-09 ARE NOTED BELOW:

Cabot Yerxa Elementary	Land Purchase	\$ 335,786	
	Construction	<u>25,181,714</u>	\$ 25,517,500
Painted Hills Middle School	Land Purchase	2,346,296	
	Construction	<u>1,938,932</u>	4,285,228
Jalisco Elementary No. 18	Land Purchase	1,185,639	
	Construction	<u>\$ 365,264</u>	1,550,903
District Office	Renovation		968,950
Edward Wenzlaff Elementary	Modernization		887,578
Julius Corsini Elementary	Library/Remodal		410,532
Total Significant Accomplishments			<u><u>33,620,691</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-2010 year, the District Board and management used the following criteria:

The fiscal year 2009-2010 proposed budget is presented for adoption as a separate document. The budget must be submitted to the Riverside County Office of Education by July 1. In accordance with *Education Code* Section 42103, a public hearing must be held before the adoption of the school district budget. The mandatory announcement for this public meeting was made in accordance to the State guidelines.

In addition, 53 categorical programs have been reduced by 15.38% in fiscal year 2008-2009 with a subsequent reduction of 4.46% in fiscal year 2009-2010. Of these 53 programs, 42 categorical programs were given unprecedented flexibility converting them basically unrestricted funding in an attempt to protect the educational environment. Nevertheless, considerable cuts have been made to the District's budget in the current and the coming fiscal year.

The State budget was balanced on the assumption that all the five propositions were passed during the special May 19, 2009, election. In March, thirty days after the 17 month budget was adopted, the Legislative Analyst forecasted an \$8 billion revenue shortfall in the fiscal year 2009-2010. In early May, the Governor's Office provided briefing material that dramatically depicted the economic outcome should the ballot measure fail. On May 14, 2009, the Governor released two versions of his proposed May revisions to the State Budget in a final persuasive attempt. The voters answered in kind by not passing four of the five propositions.

Expenditures are based on the following forecasts:

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

	<u>Staffing Ratio</u>	<u>Enrollment*</u>
Grade kindergarten	31:1	1,747
Grades one through three	24:1	5,515
Grades four and five	31:1	3,579
Grades six through twelve	31:1	12,437
Total		<u>23,278</u>

*Does not include Special Education of 755 and Independent Study of 305. Total enrollment was 24,338.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 171,904,609
Receivables	28,345,873
Prepaid expenditures	42,258
Stores inventories	424,840
Noncurrent portion of receivables	19,197,237
Capital Assets	
Land and construction in process	120,718,575
Other capital assets	315,965,122
Less: Accumulated depreciation	(111,832,694)
Total Capital Assets	324,851,003
Total Assets	544,765,820
LIABILITIES	
Accounts payable	10,982,363
Interest payable	4,452,501
Deferred revenue	3,175,597
Noncurrent portion of deferred revenue	19,197,237
Claims Liabilities	2,499,519
Current portion of long-term obligations	6,946,322
Noncurrent portion of long-term obligations	227,450,313
Total Liabilities	274,703,852
NET ASSETS	
Invested in capital assets, net of related debt	153,739,190
Restricted for:	
Debt service	10,193,304
Capital projects	18,080,166
Educational programs	10,381,263
Other activities	24,383,093
Unrestricted	53,284,952
Total Net Assets	\$ 270,061,968

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, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 145,822,178	\$ 57,599	\$ 26,533,497
Instruction-related activities:			
Supervision of instruction	9,140,353	3,804	6,482,909
Instructional library, media, and technology	1,994,339	-	91,471
School site administration	13,207,211	-	160,292
Pupil services:			
Home-to-school transportation	4,759,906	24,898	2,829,829
Food services	8,840,301	1,558,643	7,319,723
All other pupil services	9,648,990	4,489	3,207,045
Administration:			
Data processing	2,433,837	-	-
All other administration	10,137,293	77,446	1,046,132
Plant services	24,862,129	1,623	195,005
Facility acquisition and construction	-	-	-
Ancillary services	1,673,460	-	827
Interest on long-term obligations	11,144,706	-	-
Other outgo	6,449	-	1,098,831
Total Governmental Activities	\$243,671,152	\$ 1,728,502	\$ 48,965,561
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
\$ 2,501,442	\$(116,729,640)
-	(2,653,640)
-	(1,902,868)
-	(13,046,919)
-	(1,905,179)
-	38,065
-	(6,437,456)
-	(2,433,837)
-	(9,013,715)
-	(24,665,501)
-	-
-	(1,672,633)
-	(11,144,706)
-	1,092,382
<u>\$ 2,501,442</u>	<u>(190,475,647)</u>
	37,805,121
	16,103,990
	9,777,879
	113,001,276
	2,334,389
	16,082,946
	<u>195,105,601</u>
	4,629,954
	<u>265,432,014</u>
	<u>\$ 270,061,968</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Building Fund
ASSETS			
Deposits and investments	\$ 44,173,153	\$ 8,242,903	\$ 60,764,509
Receivables	26,153,580	41,555	260,253
Due from other funds	5,056,322	7,811,598	-
Prepaid expenditures	42,258	-	-
Stores inventories	218,204	-	-
Total Assets	<u>\$ 75,643,517</u>	<u>\$ 16,096,056</u>	<u>\$ 61,024,762</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,488,020	\$ -	\$ 2,404,284
Due to other funds	9,903,346	-	473,501
Deferred revenue	3,172,456	-	-
Total Liabilities	<u>20,563,822</u>	<u>-</u>	<u>2,877,785</u>
Fund Balances:			
Reserved for:			
Revolving cash	100,000	-	-
Stores inventories	218,204	-	-
Prepaid expenditures	42,258	-	-
Legally restricted balances	10,381,263	-	58,146,977
Unreserved:			
Designated	44,337,970	16,096,056	-
Undesignated, reported in:			
General Fund	-	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	<u>55,079,695</u>	<u>16,096,056</u>	<u>58,146,977</u>
Total Liabilities and Fund Balances	<u>\$ 75,643,517</u>	<u>\$ 16,096,056</u>	<u>\$ 61,024,762</u>

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 18,127,360	\$ 26,803,060	\$ 158,110,985
72,610	1,766,589	28,294,587
480,482	2,031,968	15,380,370
-	-	42,258
-	206,636	424,840
<u>\$ 18,680,452</u>	<u>\$ 30,808,253</u>	<u>\$ 202,253,040</u>

\$ 485,424	\$ 386,802	\$ 10,764,530
35,946	4,946,852	15,359,645
-	3,141	3,175,597
<u>521,370</u>	<u>5,336,795</u>	<u>29,299,772</u>

-	-	100,000
-	206,636	424,840
-	-	42,258
-	-	68,528,240
18,159,082	10,619,017	89,212,125
-	-	-
-	-	-
-	14,645,805	14,645,805
-	-	-
<u>18,159,082</u>	<u>25,471,458</u>	<u>172,953,268</u>
<u>\$ 18,680,452</u>	<u>\$ 30,808,253</u>	<u>\$ 202,253,040</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, 2009**

Total Fund Balance - Governmental Funds		\$172,953,268
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:	\$436,683,697	
Accumulated depreciation is:	<u>(111,832,694)</u>	
Net Capital Assets		324,851,003
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(4,452,501)
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.		11,106,833
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	231,840,000	
Compensated absences (vacations)	1,032,580	
Capital leases payable	36,322	
Supplemental early retirement plan	1,101,315	
Net OPEB obligation	<u>386,418</u>	
Total Long-Term Obligations		<u>(234,396,635)</u>
Total Net Assets - Governmental Activities		<u><u>\$270,061,968</u></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, 2009**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
REVENUES		
Revenue limit sources	\$ 131,442,228	\$ -
Federal sources	24,088,508	-
Other State sources	29,648,335	-
Other local sources	27,121,888	258,068
Total Revenues	212,300,959	258,068
EXPENDITURES		
Current		
Instruction	130,217,975	-
Instruction-related activities:		
Supervision of instruction	8,679,050	-
Instructional library, media, and technology	1,994,339	-
School site administration	12,801,381	-
Pupil services:		
Home-to-school transportation	4,759,906	-
Food services	179,568	-
All other pupil services	9,457,162	-
Administration:		
Data processing	2,433,837	-
All other administration	9,120,472	-
Plant services	21,458,000	-
Facility acquisition and construction	17,162	-
Ancillary services	1,673,460	-
Debt service		
Principal	262,952	-
Interest and other	17,676	-
Total Expenditures	203,079,389	-
Excess (Deficiency) of Revenues Over Expenditures	9,221,570	258,068
OTHER FINANCING SOURCES (USES)		
Transfers in	286,510	-
Transfers out	(2,831,242)	-
Net Financing Sources (Uses)	(2,544,732)	-
NET CHANGE IN FUND BALANCES	6,676,838	258,068
Fund Balance - Beginning	48,402,857	15,837,988
Fund Balance - Ending	\$ 55,079,695	\$ 16,096,056

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

Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 131,442,228
-	-	7,504,215	31,592,723
-	-	5,767,688	35,416,023
2,049,776	1,667,457	18,441,579	49,538,768
<u>2,049,776</u>	<u>1,667,457</u>	<u>31,713,482</u>	<u>247,989,742</u>
-	-	2,405,221	132,623,196
-	-	461,303	9,140,353
-	-	-	1,994,339
-	-	405,830	13,207,211
-	-	-	4,759,906
-	-	8,660,733	8,840,301
-	-	191,828	9,648,990
-	-	-	2,433,837
-	537,197	475,019	10,132,688
-	952,075	1,662,013	24,072,088
34,092,778	2,502,352	-	36,612,292
-	-	-	1,673,460
-	-	5,845,000	6,107,952
21,449	-	11,429,412	11,468,537
<u>34,114,227</u>	<u>3,991,624</u>	<u>31,536,359</u>	<u>272,721,599</u>
<u>(32,064,451)</u>	<u>(2,324,167)</u>	<u>177,123</u>	<u>(24,731,857)</u>
-	-	5,332,684	5,619,194
-	(35,541)	(9,711,508)	(12,578,291)
-	(35,541)	(4,378,824)	(6,959,097)
(32,064,451)	(2,359,708)	(4,201,701)	(31,690,954)
90,211,428	20,518,790	29,673,159	204,644,222
<u>\$ 58,146,977</u>	<u>\$ 18,159,082</u>	<u>\$ 25,471,458</u>	<u>\$ 172,953,268</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds		\$ (31,690,954)
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	\$ 36,467,449	
Depreciation expense	<u>(14,032,168)</u>	
Net Expense Adjustment		22,435,281
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Net vacation and special termination benefits used were greater than the amounts earned.		185,360
In the statement of activities Other Post Employment 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.		(245,244)
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.		5,845,000
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.		262,952
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.		323,831
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.		7,513,728
Change in Net Assets of Governmental Activities		<u><u>\$ 4,629,954</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, 2009**

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 13,793,624
Receivables	51,286
Due from other funds	53,132
Total Current Assets	<u>13,898,042</u>
LIABILITIES	
Current Liabilities	
Accounts payable	217,833
Due to other funds	73,857
Total Current Liabilities	<u>291,690</u>
Noncurrent Liabilities	
Claim liabilities	2,499,519
Total Liabilities	<u>2,791,209</u>
NET ASSETS	
Restricted	
Workers' compensation	4,017,028
Retiree benefits	7,089,805
Total Net Assets	<u>\$ 11,106,833</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, 2009**

	<u>Internal Service Fund Self-Insurance</u>
OPERATING REVENUES	
Charges to other funds	\$ 3,854,572
Total Operating Revenues	<u>3,854,572</u>
OPERATING EXPENSES	
Professional and contract services	3,611,305
Total Operating Expenses	<u>3,611,305</u>
Operating Income	<u>243,267</u>
NONOPERATING REVENUES	
Interest income	311,364
Total Nonoperating Revenues	<u>311,364</u>
Income (Loss) Before Capital Contributions	554,631
Capital contributions for retiree benefits	6,959,097
Change in Net Assets	<u>7,513,728</u>
Total Net Assets - Beginning	3,593,105
Total Net Assets - Ending	<u>\$ 11,106,833</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, 2009**

	<u>Internal Service Fund Self-Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 3,803,458
Cash payments to other suppliers of goods or services	(3,562,719)
Net Cash Provided by Operating Activities	<u>240,739</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating capital contribution received	<u>6,959,097</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	311,364
Net Increase in Cash and Cash Equivalents	<u>7,511,200</u>
Cash and Cash Equivalents - Beginning	6,282,424
Cash and Cash Equivalents - Ending	<u>\$ 13,793,624</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 243,267
Changes in assets and liabilities:	
Accounts receivable	(6,522)
Due from other funds	(44,592)
Accounts payable	63,963
Due to other funds	73,857
Claims liability	(89,234)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 240,739</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, 2009**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 721,337</u>
LIABILITIES	
Due to student groups	<u>\$ 721,337</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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, 2009

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of 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).

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:

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.

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.

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

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:

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.

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

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).

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Internal Service Fund Internal Service Funds may be used to account for any activity for which 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.

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

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

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.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net 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.

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.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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 \$63,037,826 of restricted net assets.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. 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, 2009

New Accounting Pronouncements

In March 2009, the GASB issued GASB 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.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$171,904,609
Fiduciary funds	721,337
Total Deposits and Investments	<u>\$172,625,946</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 721,337
Cash in revolving	100,000
Investments	171,804,609
Total Deposits and Investments	<u>\$172,625,946</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, 2009**

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
County Pool	<u>\$172,560,549</u>	<u>387*</u>

* Weighted average days to maturity.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009</u>	<u>Fair Value</u>
County Pool	Not Required	Not Required	<u>\$172,560,549</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, 2009, the District maintained cash deposits in the amount of \$753,833 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.

Uninsured and collateralized with securities held by the pledging financial institution's trust departments or agents, but not in the name of the District.

\$ 503,833

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Building Fund	Capital Facilities Fund
Federal Government				
Categorical aid	\$ 5,760,169	\$ -	\$ -	\$ -
State Government				
Apportionment	11,764,559	-	-	-
Categorical aid	885,528	-	-	-
Lottery	1,477,808	-	-	-
Local Government				
Interest	186,696	41,555	258,882	72,610
Other Local Sources	6,078,820	-	1,371	-
Total	<u>\$ 26,153,580</u>	<u>\$ 41,555</u>	<u>\$ 260,253</u>	<u>\$ 72,610</u>

	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government			
Categorical aid			
State Government	\$ 1,329,517	\$ -	\$ 7,089,686
Apportionment			
Categorical aid	-	-	11,764,559
Lottery	350,362	-	1,235,890
Local Government			
Interest	-	-	1,477,808
Other Local Sources	41,857	51,072	652,672
Total	<u>\$ 1,766,589</u>	<u>\$ 51,286</u>	<u>\$ 28,345,873</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 62,777,939	\$ 4,016,436	\$ -	\$ 66,794,375
Construction in progress	23,984,914	30,548,654	609,368	53,924,200
Total Capital Assets Not Being Depreciated	86,762,853	34,565,090	609,368	120,718,575
Capital Assets Being Depreciated				
Land improvements	1,362,658	-	-	1,362,658
Buildings and improvements	301,087,536	609,368	-	301,696,904
Furniture and equipment	11,003,201	1,902,359	-	12,905,560
Total Capital Assets Being Depreciated	313,453,395	2,511,727	-	315,965,122
Less Accumulated Depreciation				
Land improvements	47,122	27,253	-	74,375
Buildings and improvements	90,263,337	12,957,960	-	103,221,297
Furniture and equipment	7,490,067	1,046,955	-	8,537,022
Total Accumulated Depreciation	97,800,526	14,032,168	-	111,832,694
Capital Assets, Net	\$ 302,415,722	\$ 23,044,649	\$ 609,368	\$ 324,851,003

Depreciation expense charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 12,953,738
All other general administration	433,232
Plant services	645,198
Total Depreciation Expenses	\$ 14,032,168

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009, between major and non-major governmental funds, are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 3,115	\$ 35,946	\$ 4,943,404	\$ 73,857	\$ 5,056,322
Special Reserve Fund for Other Than Capital Outlay Projects	7,811,598	-	-	-	-	7,811,598
Capital Facilities Fund	8,926	470,386	-	1,170	-	480,482
Non-Major Governmental Funds	2,029,699	-	-	2,269	-	2,031,968
Internal Service Fund	53,123	-	-	9	-	53,132
Total	\$ 9,903,346	\$ 473,501	\$ 35,946	\$ 4,946,852	\$ 73,857	\$ 15,433,502

The balance of \$500,000 is due to the General Fund from the Adult Education Fund (Non-Major) for cash flow purposes.

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

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

The balance of \$7,811,598 is due to the General Fund from the Special Reserve Fund Other than Capital Outlay for cash flow purposes.

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, 2009

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Capital Facilities Fund	Non-Major Funds	
General Fund	\$ -	\$ 35,541	\$ 250,969	\$ 286,510
Special Reserve Fund for Other Than Capital Outlay Projects	-	-	2,501,442	2,501,442
Non-Major Governmental Funds	2,831,242	-	-	2,831,242
Internal Service Fund	-	-	6,959,097	6,959,097
Total	\$ 2,831,242	\$ 35,541	\$ 9,711,508	\$ 12,578,291

The General Fund Transferred to the Adult Education Fund for Adult Education Apportionment and Community Based English Tutoring.	1,032,485
The General Fund Transferred to the Child Development Fund to cover costs.	12,217
The General Fund transferred to Deferred Maintenance Fund to make deferred maintenance match.	1,786,540
The Adult Education Fund transferred to General Fund for Community Based Tutoring.	250,969
The Special Reserve Fund (PostEmployment Benefits) transferred to the Self Insurance Fund for Retiree Benefits.	6,959,097
The Capital Facilities Fund transferred to the General Fund for three percent Revenue.	35,541
The County School Facilities Fund transferred to Special Reserve Fund For Capital Outlay Projects.	2,501,442
Total	\$ 12,578,291

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$3,714,906	\$ 103,411	\$ 233,734	\$ 258,657	\$ 217,833	\$ 4,528,541
State apportionment	3,669,724	-	-	-	-	3,669,724
Salaries and benefits	85,122	-	-	-	-	85,122
Construction	18,268	2,300,872	251,691	128,145	-	2,698,976
Total	<u>\$7,488,020</u>	<u>\$2,404,283</u>	<u>\$ 485,425</u>	<u>\$ 386,802</u>	<u>\$ 217,833</u>	<u>\$ 10,982,363</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 3,069,740	\$ 3,052	\$ 3,072,792
State categorical aid	102,221	-	102,221
Other local	495	89	584
Total	<u>\$ 3,172,456</u>	<u>\$ 3,141</u>	<u>\$ 3,175,597</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$237,685,000	\$ -	\$ 5,845,000	\$231,840,000	\$6,910,000
Compensated absences	847,220	185,360	-	1,032,580	-
Capital lease obligations	299,274	-	262,952	36,322	36,322
Claims liability	2,588,753	-	89,234	2,499,519	-
Cumulative rebate liability	1,472,035	-	370,720	1,101,315	-
Net OPEB obligation	141,174	245,244	-	386,418	-
	<u>\$243,033,456</u>	<u>\$ 430,604</u>	<u>\$ 6,567,906</u>	<u>\$236,896,154</u>	<u>\$6,946,322</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 and supplemental early retirement program 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, 2009**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Redeemed	Bonds Outstanding June 30, 2009
02/01/01	02/01/30	3.00-4.95%	\$ 10,000,000	\$ 8,775,000	\$ -	\$ 205,000	\$ 8,570,000
06/01/01	02/01/20	2.75-4.90%	19,510,000	13,945,000	-	890,000	13,055,000
11/01/01	08/01/31	2.05-4.70%	20,000,000	17,745,000	-	395,000	17,350,000
07/16/02	02/01/19	1.60-4.75%	9,265,000	6,430,000	-	490,000	5,940,000
10/02/02	02/01/21	1.08-4.40%	14,470,000	10,960,000	-	660,000	10,300,000
08/07/02	08/01/33	1.47-4.95%	10,000,000	9,170,000	-	190,000	8,980,000
04/09/03	08/01/33	1.05-4.00%	20,000,000	18,745,000	-	415,000	18,330,000
05/19/04	02/01/18	2.00-4.75%	4,615,000	3,810,000	-	245,000	3,565,000
10/29/04	08/01/33	1.80-4.65%	12,500,000	12,015,000	-	235,000	11,780,000
11/03/05	02/01/23	2.70-4.38%	17,300,000	15,125,000	-	770,000	14,355,000
06/14/06	02/01/36	3.63-4.67%	80,000,000	78,965,000	-	1,350,000	77,615,000
10/23/07	08/01/36	3.40-4.62%	42,000,000	42,000,000	-	-	42,000,000
				<u>\$ 237,685,000</u>	<u>\$ -</u>	<u>\$ 5,845,000</u>	<u>\$ 231,840,000</u>

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 6,910,000	\$ 10,652,914	\$ 17,562,914
2011	7,265,000	10,347,013	17,612,013
2012	7,560,000	10,026,629	17,586,629
2013	7,945,000	9,691,008	17,636,008
2014	8,280,000	9,338,620	17,618,620
2015-2019	47,805,000	40,618,751	88,423,751
2020-2024	40,950,000	29,815,013	70,765,013
2025-2029	42,020,000	20,156,968	62,176,968
2030-2034	45,735,000	9,161,925	54,896,925
2035-2036	17,370,000	986,981	18,356,981
Total	<u>\$ 231,840,000</u>	<u>\$ 150,795,821</u>	<u>\$ 382,635,821</u>

Compensated Absences

The accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$1,032,580.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Capital Leases

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

	Servers
Balance, July 1, 2008	\$ 318,614
Additions	-
Payments	280,628
Balance, June 30, 2009	<u>\$ 37,986</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30, 2010	Lease Payment
Less: Amount Representing Interest	1,663
Present Value of Minimum Lease Payments	<u>\$ 36,323</u>

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 \$2,499,519 at June 30, 2009.

Cumulative Rebate Liability

The District has an outstanding long-term liability for calculation of cumulative rebate liability in the amount of \$1,472,035 at June 30, 2009.

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2009, was \$1,332,408 and contributions made by the District during the year were \$1,228,338, which resulted in a net OPEB obligation of \$104,070. See Note 10 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Building Fund
Reserved			
Revolving cash	\$ 100,000	\$ -	\$ -
Stores inventories	218,204	-	-
Prepaid expenditures	42,258	-	-
Restricted programs	10,381,263	-	58,146,977
Total Reserved	<u>10,741,725</u>	<u>-</u>	<u>58,146,977</u>
Unreserved			
Designated			
Economic uncertainties	12,495,387	13,069,702	-
Other designation	31,842,583	3,026,354	-
Total Designated	<u>44,337,970</u>	<u>16,096,056</u>	<u>-</u>
Undesignated	-	-	-
Total Unreserved	<u>44,337,970</u>	<u>16,096,056</u>	<u>-</u>
Total	<u>\$ 55,079,695</u>	<u>\$ 16,096,056</u>	<u>\$ 58,146,977</u>
	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Reserved			
Revolving cash	\$ -	\$ -	\$ 100,000
Stores inventories	-	206,636	424,840
Prepaid expenditures	-	-	42,258
Restricted programs	-	-	68,528,240
Total Reserved	<u>-</u>	<u>206,636</u>	<u>69,095,338</u>
Unreserved			
Designated			
Economic uncertainties	-	3,489,609	29,054,698
Other designation	18,159,082	7,129,408	60,157,427
Total Designated	<u>18,159,082</u>	<u>10,619,017</u>	<u>89,212,125</u>
Undesignated	-	14,645,805	14,645,805
Total Unreserved	<u>18,159,082</u>	<u>25,264,822</u>	<u>103,857,930</u>
Total	<u>\$ 18,159,082</u>	<u>\$ 25,471,458</u>	<u>\$ 172,953,268</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

Plan Description

The Postemployment Benefit 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 2008-09, the District contributed \$1,228,338 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (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
Contributions made	<u>(1,228,338)</u>
Increase in net OPEB obligation	104,070
Net OPEB obligation, beginning of year	<u>141,174</u>
Net OPEB obligation, end of year	<u>\$ 245,244</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30, 2008	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,332,408	92.19%	\$ 245,244

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Funded Status and Funding Progress

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. Since this is the first year of implementation, only the current year information is presented.

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.

In the April 1, 2008, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 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 4 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, 2009

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, 2007 to June 30, 2009:

	<u>Workers'</u> <u>Compensation</u>
Liability Balance, July 1, 2007	\$ 1,890,261
Claims and changes in estimates	3,022,797
Claims payments	<u>(2,324,305)</u>
Liability Balance, June 30, 2008	2,588,753
Claims and changes in estimates	1,895,225
Claims payments	<u>(1,984,459)</u>
Liability Balance, June 30, 2009	<u>\$ 2,499,519</u>
Assets available to pay claims at June 30, 2009	<u>\$ 13,898,042</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, 2009

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 2008-2009 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, 2009, 2008, and 2007, were \$7,974,052, \$7,761,238, and \$7,563,074, 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 2008-2009 was 9.428 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, 2009, 2008, and 2007, were \$3,404,194, \$3,550,566, and \$3,165,073, 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 \$4,484,445 (4.517 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, 2009

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, 2009.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Cabot Yerxa - Construction	\$ 5,421,876	December, 2009
Jalisco - Construction	40,000,000	June, 2012
Painted Hills, formerly Sonora - Construction	50,000,000	June, 2011
Palm Springs High School - Band Room	3,000,000	June, 2011
Cathedral City High School - Stadium Snack Bar	2,500,000	December, 2010
Rancho Mirage High School - Construction	160,000,000	June, 2013
New Service Center - Construction	25,500,000	December, 2010
District Wide - Remodel Playgrounds	7,500,000	June, 2014
	<u>\$ 293,921,876</u>	

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Southern California Regional Liability Excess Fund (So Cal ReLiEF) 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 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, 2009, the District made payments of \$957,416 and \$24,691,282, to So Cal ReLiEF and REEP, respectively, for health and property liability coverage.

NOTE 15 - LAND PURCHASE

During 2006-07, the District purchased a parcel of land from a developer in the amount of \$38,750,000. The District paid for half of the purchase through current financial resources, and entered into an agreement, whereby the developer would be given a credit for any future developer fees owed to the District in future years. The total amounted to \$19,197,237, as of June 30, 2009.

	<u>Land Purchase</u>
Long-Term Receivable/Deferred Developer Fee Revenue Balance, Beginning of Year	\$ 19,425,865
Current Year Additions	-
Developer Fees Received Fiscal Year 2008-2009	<u>(228,628)</u>
Long-Term Receivable/Deferred Revenue, End of Year	<u>\$ 19,197,237</u>

The related long-term deferred revenue and developer fee receivable have been recorded respectively as a liability and an asset in accordance with governmental accounting principles generally accepted in the United States of America.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 16 - 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 4 of the 2009-2010 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 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.

NOTE 17 - SUBSEQUENT EVENT

Assembly Bill of the Fourth Extraordinary Session (ABX4 3)

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-2009 and 2009-2010 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009," to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversion of the undistributed categorical program balances.

In accordance with the requirements of GASB Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.

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REQUIRED SUPPLEMENTARY INFORMATION

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Revenue limit sources	\$134,166,835	\$130,407,392	\$131,442,228	\$ 1,034,836
Federal sources	14,921,829	19,654,075	24,088,508	4,434,433
Other State sources	26,357,623	28,659,370	29,648,335	988,965
Other local sources	22,156,540	24,535,498	27,121,888	2,586,390
Total Revenues ¹	197,602,827	203,256,335	212,300,959	9,044,624
EXPENDITURES				
Current				
Instruction	124,325,833	134,622,002	130,217,975	4,404,027
Instruction-related activities:				
Supervision of instruction	8,644,847	8,990,688	8,679,050	311,638
Instructional library, media, and technology	1,986,480	2,065,950	1,994,339	71,611
School site administration	12,750,933	13,261,039	12,801,381	459,658
Pupil services:				
Home-to-school transportation	4,796,324	5,101,551	4,759,906	341,645
Food services	180,942	192,457	179,568	12,889
All other pupil services	9,529,519	10,135,956	9,457,162	678,794
General administration:				
Data processing	2,533,934	2,476,523	2,433,837	42,686
All other general administration	9,495,570	9,280,430	9,120,472	159,958
Plant services	22,395,948	22,852,700	21,458,000	1,394,700
Facility acquisition and construction	17,912	18,277	17,162	1,115
Ancillary services	1,582,435	1,647,746	1,673,460	(25,714)
Other outgo	-	-	6,449	(6,449)
Debt service				
Principal	-	6,043	262,952	(256,909)
Interest	-	406	17,676	(17,270)
Total Expenditures ¹	198,240,677	210,651,768	203,079,389	7,572,379
Excess (Deficiency) of Revenues Over Expenditures	(637,850)	(7,395,433)	9,221,570	16,617,003
OTHER FINANCING SOURCES (USES)				
Transfers in	2,877,598	3,095,567	286,510	(2,809,057)
Transfers out	(92,082)	(1,106,492)	(2,831,242)	(1,724,750)
Net Financing Sources (Uses)	2,785,516	1,989,075	(2,544,732)	(4,533,807)
NET CHANGE IN FUND BALANCES	2,147,666	(5,406,358)	6,676,838	12,083,196
Fund Balance - Beginning	48,402,857	48,402,857	48,402,857	-
Fund Balance - Ending	\$ 50,550,523	\$ 42,996,499	\$ 55,079,695	\$ 12,083,196

¹ On behalf payments of \$4,484,445 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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SUPPLEMENTARY INFORMATION

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Smaller Learning Communities	84.215L	[1]	\$ 88,966
SDFS National Grant	84.184E	[1]	61,525
Passed through California Department of Education (CDE):			
Adult Basic Education - ABE and ESL Services	84.002A	14508	87,659
Adult Basic Education - Adult Secondary	84.002	13978	6,347
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	22,922
Elementary and Secondary Education Act as amended by the No Child Left Behind of 2001 (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected - Reallocation Funds	84.010	14981	5,878,873
Title I, Part A - School Improvement, SAIT Corrective Action Plans	84.010A	14579	24,174
Title I, Part A - Program Improvement LEA Corrective Action	84.010	14956	961,424
Title I, Part B - Reading First Program - LEA subgrant	84.357A	14328	958,037
Title I, Part B (3) Even Start Family Literacy Programs	84.213C	14331	154,793
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	900,727
Title II, Part A - Administrator Training	84.367	14344	11,978
Title II, Part B - Ca Mathematics and Science Partnership	84.366	14512	310,604
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	53,162
Title II, Part D - Enhancing Education Through Technology (EETT), Competitive Grants	84.318	14368	54,009
Title III - Limited English Proficiency Program	84.365	10084	665,723
Title III - Immigrant Education Program	84.365	14346	75,425
Title IV, Part A - Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	111,691
Title V, Part A - Innovative Education Strategies, Formula Entitlements	84.298A	14354	1,179
Advance Placement Test Fee Program	84.330	14333	41,300
Vocational and Applied Technology Secondary II C, Sec 131 (Carl Perkins)	84.048A	14894	187,090
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance, Part B, Sec 611	84.027	13379	2,994,032
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	132,394
Federal Preschool Grants, Part B, Sec 619	84.173	13430	48,312
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	1,457
Preschool Staff Development, Part B, Section 619	84.173A	13431	428
California Preschool Instructional Network (CPIN) Special Education Leads	84.173	14530	34
Total U.S. Department of Education			13,834,265

[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, 2009**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the CDE:			
Forest Reserve	10.665	10044	\$ 4,201
National School Lunch Program	10.555	13396	5,624,737
Basic Breakfast	10.553	13525	9,554
Especially Needy Breakfast	10.553	13526	982,590
Meal Supplements	10.555	13158	196,008
Summer Food Service Program	10.559	13004	86,377
Food Distribution	10.558	13389	479,350
USDA Westland Beef Recall Destruction Reimbursement	10.555	02288	5,164
Total U.S. Department of Agriculture			<u>7,387,981</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officers Training Corps	12.000	[1]	136,153
Total U.S. Department of Defense			<u>136,153</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	437,037
Medical Administrative Activities	93.778	10060	55,252
Passed through Riverside County Office of Education:			
Headstart	93.600	10016	1,542,653
Child Care and Development Block Grant	93.575	14130	3,472
Total U.S. Department of Health and Human Services			2,038,414
Total Federal Programs			<u>\$ 23,396,813</u>

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

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2009

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>
Gary Jeandron	President	2010
Justin Blake	Clerk	2010
Richard Clapp	Member	2012
Meredy Shoenberger	Member	2010
Shari Stewart	Member	2012

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, 2009**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	1,589	1,589
First through third	5,365	5,351
Fourth through sixth	5,054	5,038
Seventh and eighth	3,385	3,366
Opportunity schools	24	24
Home and hospital	2	3
Special education	446	455
Total Elementary	<u>15,865</u>	<u>15,826</u>
SECONDARY		
Regular classes	6,212	6,103
Continuation education	341	329
Opportunity schools	60	57
Home and hospital	6	7
Special education	281	272
Total Secondary	<u>6,900</u>	<u>6,768</u>
Total K-12	<u>22,765</u>	<u>22,594</u>
CLASSES FOR ADULTS		
Concurrently enrolled	3	4
Not concurrently enrolled	292	294
Total Classes for Adults	<u>295</u>	<u>298</u>
Grand Total	<u>23,060</u>	<u>22,892</u>
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
Elementary		325,470
High school		178,298
Total Hours		<u>503,768</u>

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	36,000	180	175	Complied
Grades 1 - 3	49,280	50,400				
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	54,000				
Grade 4			54,000	180	175	Complied
Grade 5			54,000	180	175	Complied
Grades 6 - 8	49,280	54,000				
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	64,800				
Grade 9			64,845	180	N/A	Complied
Grade 10			64,845	180	N/A	Complied
Grade 11			64,845	180	N/A	Complied
Grade 12			64,845	180	N/A	Complied

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND EXPENDITURES
PROPOSITION 10 GRANTS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Agreement Number</u>	
	<u>7014 LS-08</u>	<u>700-SR-09</u>
	<u>July 1, 2008 -</u>	<u>July 1, 2008 -</u>
	<u>June 30, 2009</u>	<u>June 30, 2009</u>
REVENUES		
State categorical aid	\$ 331,578	\$ 357,156
Interest	-	288
	<u>\$ 331,578</u>	<u>\$ 357,444</u>
EXPENDITURES		
Personnel and benefits	\$ 257,241	\$ 344,121
Operating expenditures	74,337	13,322
	<u>\$ 331,578</u>	<u>\$ 357,443</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, 2009**

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

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 59,081,418
Decrease in:	
Accounts receivable ¹	<u>(4,001,723)</u>
Total Fund Balance, June 30, 2009, Audited Financial Statement	<u>\$ 55,079,695</u>

¹ The adjustment is the ABX4 3 categorical un-appropriated State categorical as described in Note 17.

See accompanying note to supplementary information.

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 194,443,771	\$ 212,300,959	\$ 209,283,945	\$ 205,016,112
Other sources and transfers in	650,000	286,510	75,639	1,185,667
Total Revenues and Other Sources	195,093,771	212,587,469	209,359,584	206,201,779
Expenditures	191,330,068	203,079,389	201,775,559	188,157,779
Other uses and transfers out	-	2,831,242	934,857	6,162,873
Total Expenditures and Other Uses	191,330,068	205,910,631	202,710,416	194,320,652
INCREASE				
INCREASE IN FUND BALANCE	\$ 3,763,703	\$ 6,676,838	\$ 6,649,168	\$ 11,881,127
ENDING FUND BALANCE	\$ 58,843,398	\$ 55,079,695	\$ 48,402,857	\$ 41,753,689
AVAILABLE RESERVES^{2,5}	\$ 29,328,792	\$ 25,565,089	\$ 22,675,632	\$ 17,682,382
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	15.3%	12.7%	11.4%	9.3%
LONG-TERM OBLIGATIONS	N/A	\$ 236,896,154	\$ 243,033,456	\$ 203,020,085
AVERAGE DAILY ATTENDANCE AT P-2⁴	22,730	22,765	22,667	22,524

The General Fund balance has increased by \$13,326,006 over the past two years. The fiscal year 2009-2010 budget projects a further increase of \$3,763,703 (6.83 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 and anticipates incurring an operating surplus during the 2009-2010 fiscal year. Total long-term obligations have increased by \$33,876,069 over the past two years.

Average daily attendance has increased by 241 over the past two years. A decline of 35 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 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 and Special Reserve Fund (other than capital outlay).

³ On behalf payments of \$4,484,445, \$4,380,602, and \$4,140,898 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2009, 2008, and 2007, respectively.

⁴ Excludes adult education ADA.

⁵ The District recorded the revenue and related receivable associated with its portion of the 2008-2009 reverted unallocated, unexpended or un-liquidated categorical program balances identified in the 2009-2010 re-appropriation in the July 2009 State Budget package prior to notification of by the State that the 2009-2010 re-appropriation should not be accrued. In accordance with GASB Statement No. 33, an adjustment to reduce revenue and the related receivable have been included in these financial statements. (See Note 17) California Education Code Section 33128.1 allows the District to include these accruals in their Available Reserves calculation. For the fiscal year 2008-2009, \$1,432,682 of un-appropriated revenues have been included in the Available Reserves total that are not reflected in the Audited Financial Statements.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,135,272	\$ 691,327	\$ 3,039,709	\$ 4,756,997
Receivables	73,177	323,919	1,349,003	15,824
Due from other funds	1,217,693	38,657	2,555	772,130
Stores inventories	-	-	206,636	-
Total Assets	\$ 2,426,142	\$ 1,053,903	\$ 4,597,903	\$ 5,544,951
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,997	\$ 38,810	\$ 109,581	\$ 224,414
Due to other funds	1,756,133	1,011,952	1,404,534	773,300
Deferred revenue	-	3,141	-	-
Total Liabilities	1,770,130	1,053,903	1,514,115	997,714
Fund Balances:				
Reserved for:				
Stores inventories	-	-	206,636	-
Legally restricted balances	-	-	-	-
Unreserved:				
Designated	656,012	-	2,877,152	4,547,237
Undesignated, reported in:				
Debt service funds	-	-	-	-
Total Fund Balances	656,012	-	3,083,788	4,547,237
Total Liabilities and Fund Balances	\$ 2,426,142	\$ 1,053,903	\$ 4,597,903	\$ 5,544,951

See accompanying note to supplementary information.

Special Reserve Retiree Benefits Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ 2,533,950	\$ 14,645,805	\$ 26,803,060
-	3,733	-	1,766,589
-	933	-	2,031,968
-	-	-	206,636
<u>\$ -</u>	<u>\$ 2,538,616</u>	<u>\$ 14,645,805</u>	<u>\$ 30,808,253</u>

\$ -	\$ -	\$ -	\$ 386,802
-	-	-	4,946,852
-	-	-	3,141
-	-	-	5,336,795

-	-	-	206,636
-	-	-	-
-	2,538,616	-	10,619,017
-	-	14,645,805	14,645,805
-	2,538,616	14,645,805	25,471,458
<u>\$ -</u>	<u>\$ 2,538,616</u>	<u>\$ 14,645,805</u>	<u>\$ 30,808,253</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, 2009**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 116,928	\$ 3,506	\$ 7,383,781	\$ -
Other State sources	21,512	2,592,141	534,149	-
Other local sources	108,767	38,463	1,903,656	92,537
Total Revenues	<u>247,207</u>	<u>2,634,110</u>	<u>9,821,586</u>	<u>92,537</u>
EXPENDITURES				
Current				
Instruction	551,756	1,853,465	-	-
Instruction-related activities:				
Supervision of instruction	186	461,117	-	-
School site administration	405,830	-	-	-
Pupil services:				
Food services	-	24,536	8,636,197	-
All other pupil services	1,000	190,828	-	-
Administration:				
All other administration	35,412	39,027	400,580	-
Plant services	66,330	77,354	7,314	1,511,015
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>1,060,514</u>	<u>2,646,327</u>	<u>9,044,091</u>	<u>1,511,015</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(813,307)</u>	<u>(12,217)</u>	<u>777,495</u>	<u>(1,418,478)</u>
OTHER FINANCING SOURCES				
Transfers in	1,032,485	12,217	-	1,786,540
Other sources	-	-	-	-
Net Financing Sources	<u>781,516</u>	<u>12,217</u>	<u>-</u>	<u>1,786,540</u>
NET CHANGE IN FUND BALANCES	<u>(31,791)</u>	<u>-</u>	<u>777,495</u>	<u>368,062</u>
Fund Balance - Beginning	687,803	-	2,306,293	4,179,175
Fund Balance - Ending	<u>\$ 656,012</u>	<u>\$ -</u>	<u>\$ 3,083,788</u>	<u>\$ 4,547,237</u>

See accompanying note to supplementary information.

Special Reserve Retiree Benefits Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 7,504,215
-	-	118,444	5,767,688
-	5,302	16,292,854	18,441,579
-	5,302	16,411,298	31,713,482
-	-	-	2,405,221
-	-	-	461,303
-	-	-	405,830
-	-	-	8,660,733
-	-	-	191,828
-	-	-	475,019
-	-	-	1,662,013
-	-	5,845,000	5,845,000
-	-	11,429,412	11,429,412
-	-	17,274,412	31,536,359
-	5,302	(863,114)	177,123
-	2,501,442	-	5,332,684
-	-	-	-
(6,959,097)	2,501,442	-	(4,378,824)
(6,959,097)	2,506,744	(863,114)	(4,201,701)
6,959,097	31,872	15,508,919	29,673,159
\$ -	\$ 2,538,616	\$ 14,645,805	\$ 25,471,458

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

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, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 31,592,723
ARRA: State Fiscal Stabilization Fund	84.394	(7,920,358)
Medi-Cal Billing Option	93.778	(185,552)
 Total Schedule of Expenditures of Federal Awards		 <u>\$ 23,486,813</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.

Schedule of Instructional Time

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

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

Schedule of Revenues and Expenditures – Proposition 10 Grants

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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 (the District) as of and for the year ended June 30, 2009, which collectively comprise Palm Springs Unified School District's basic financial statements and have issued our report thereon dated December 14, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting 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 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 14, 2009.

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.

Vanninck, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Palm Springs Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Palm Springs Unified School District's management. Our responsibility is to express an opinion on Palm Springs Unified School District's compliance based on our audit.

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

In our opinion, Palm Springs Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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 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.

Varrinck, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009



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 (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. 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 2008-09*, 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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	Not Applicable
Instructional Materials general requirements	8	Yes, see below
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

	<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	Not Applicable
Mode of instruction	1	Not Applicable
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	Not Applicable

We performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were determined to not be required.

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.

Varrink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009

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, 2009**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.367	Title II, Part A, Improving Teacher Quality Local Grants and Administrator Training.
84.365	Title III, Limited English Proficiency Program
10.553, 10.555, 10.559	Child Nutrition Cluster
93.778	Medi-Cal Billing Option and Administrative Activities

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 649,464</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009, 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 14, 2009 on the government-wide financial statements of Palm Springs Unified School District.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

Associated Student Body

Mt. San Jacinto Continuation

Cash Receipts

Observation

It appears that the site does not provide adequate controls over cash receipts. Receipts are not used to account for cash collections and therefore, there is no reconciliation between issued receipts and bank deposits.

Recommendation

Pre-numbered receipts should be issued for all cash collections by teacher, advisors and the site bookkeeper which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. Obviously, a system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected and not at the time the deposit is being made. If the receipts are written at this time, the bookkeeper would have no way of knowing if money is misplaced or has been stolen.

Desert Hot Springs High School

Student Council Meeting Minutes

Observation

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.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising 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.

Revenue Potential

Observation

The revenue potential forms are not completed at the site.

Recommendation

Revenue earned in the Student Body 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 student body 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 advisors 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 and turned in to the bookkeeper at the conclusion of the fundraiser.

Inventory Listing

Observation

The student store does not maintain a perpetual inventory of the merchandise purchased or sold, therefore no accountability exists for the inventory.

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, 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 Associated Student Body of the site.

Desert Springs Middle School

Revenue Potential

Observation

The revenue potential forms are not completed at the site.

Recommendation

Revenue earned in the Student Body 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 student body 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 advisors 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 and turned in to the bookkeeper at the conclusion of the fundraiser.

PRIOR YEAR OBSERVATIONS AND RECOMMENDATIONS

ASSOCIATED STUDENT BODY ACCOUNTS

Cathedral City High School, Mt. San Jacinto Continuation

Finding

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

Recommendation

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

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

Current Status

Implemented.

Cathedral City High School

Finding

During testing of disbursements it was noted that 7 of 27 disbursements tested did not have proper documentation of approvals. Without the control document of a purchase request form with the proper approvals club spending might deplete a group account causing deficit spending.

Recommendation

All disbursements should be accompanied by proper approvals to ensure that clubs are not overspending and the disbursements being made are adequately supported.

Current Status

Implemented.

Mt. San Jacinto Continuation

Finding

The monthly bank statement tested was not reconciled; therefore, the site is not aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliation's must be done in order to ensure that the cash balance reported on the books is accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mis-postings to the student body account.

Findings

The following issues were noted during the audit:

- Disbursements were lacking proper approvals.
- Prenumbered receipts not used.
- Inventory records for the student store are not kept.

Recommendation

The District should look into the situation at the site. Procedures should be outlined and explained to the site personnel. A periodic review should be made by the District of the sites progress towards the deficiencies mentioned above.

Current Status

Implemented.

SITE CASH

Two Bunch Palms Elementary

Findings

- Prenumbered receipts are not being utilized.
- Monies are not deposited in a timely manner.
- Cash collections are used for purchases.
- Cash on hand does not reconcile to receipts written.

Governing Board
Palm Springs Unified School District

Recommendation

Sites should be instructed to issue prenumbered receipts for all cash collections and deposit all cash collections in a timely manner. District also should instruct the site that all receipts should be written in sequential order and all cash collections must be receipted.

Current Status

Implemented.

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

Varrinek, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2009