PALM SPRINGS UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

PALM SPRINGS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Palm Springs Unified School District
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Palm Springs Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14, and the budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions on pages 66 through 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palm Springs Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Palm Springs Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palm Springs Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

PALM SPRINGS UNIFIED SCHOOL DISTRICT

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CHRISTINE J. ANDERSON, Ed.D, Superintendent of Schools

This section of Palm Springs Unified School District's (the District) (2014-2015) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from June 30, 2014. 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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District's financial status has remained positive.

- Overall revenues were $9,309,454 less than expenses.
- Total net position in governmental activities was recorded at $207,536,873.
- The General Fund reported a positive fund balance of $26,068,588.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position 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 Position* 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.

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 *Fiduciary Fund-Statement of Net Position,* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $207.6 million for the fiscal year ended June 30, 2015, a decrease of $9.3 million, or 4.3 percent over the prior year. Of this amount, ($367.7) million was an unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2015	as Restated 2014
Assets		
Current and other assets	$ 245.8	$ 287.8
Capital assets	559.4	550.8
Total Assets	805.2	838.6
Deferred Outflows of Resources		
Net change in proportionate share of net pension liability	1.3	-
Current year pension contribution	12.6	10.9
Total Deferred Outflows of Resources	13.9	10.9
Liabilities		
Current liabilities	30.1	47.8
Long-term obligations	391.7	399.1
Aggregate Net Pension Liability	149.6	185.7
Total Liabilities	571.4	632.6
Deferred Inflows of Resources		
Difference between projected and actual earnings on pension plan investments	40.1	-
Net Position		
Net investment in capital assets	402.8	261.6
Restricted	172.5	100.2
Unrestricted	(367.7)	(144.9)
Total Net Position	$ 207.6	$ 216.9

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities 2015	Governmental Activities 2014
Revenues		
Program revenues:		
Charges for services	$ 3.0	$ 3.4
Operating grants and contributions	55.3	57.3
General revenues:		
Federal and State aid	135.6	114.6
Property taxes	78.8	74.8
Other general revenues	9.3	4.7
Total Revenues	282.0	254.8
Expenses		
Instruction-related	192.0	170.3
Pupil services	30.1	28.0
General administration	12.4	11.1
Maintenance and operations	37.0	25.6
Other	19.8	20.1
Total Expenses	291.3	255.1
Change in Net Position	$ (9.3)	$ (0.3)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $291.1 million, an increase of $36.2 million, or 14.1 percent from the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was $78.8 million because the cost was paid by those who benefited from the programs ($3.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($55.3 million). We paid for the remaining "public benefit" portion of our governmental activities with $144.9 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, pupil services, general 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	
	2015	2014
Instruction-related	$ 157.5	$ 132.0
Pupil services	12.8	11.0
General administration	10.8	9.4
Maintenance and operations	34.9	25.4
Other activities	16.9	16.6
Total	$ 232.9	$ 194.4

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $201.8 million, which is a decrease of $28.4 million from last year.

Table 4

	Balances and Activity			
	July 01, 2014	Revenues	Expenditures	June 30, 2015
General Fund	$ 34,651,588	$ 220,990,346	$ 229,573,346	$ 26,068,588
Building Fund	90,709,221	303,832	21,844,716	69,168,337
Special Reserve Fund for Capital Outlay Projects	39,260,847	13,150,099	11,716,410	40,694,536
Bond Interest and Redemption Fund	32,699,559	137,703,348	137,525,509	32,877,398
Non-Major Governmental Funds	32,876,968	26,421,549	26,263,567	33,034,950
Total	$ 230,198,183	$ 398,569,174	$ 426,923,548	$ 201,843,809

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2015. (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 66.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $559.4 million in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $8.6 million, or 1.6 percent, over last year. Depreciation expense of $14.7 million was allocated to governmental activities during 2015.

Table 5

(Amounts in millions)	Governmental Activities	
	2015	2014
Land	$ 86.5	$ 86.5
Construction in progress	83.8	71.4
Land improvements	1.9	1.2
Buildings and improvements	385.2	391.0
Furniture and equipment	2.0	0.7
Total	$ 559.4	$ 550.8

This year's additions consist of the construction in progress for the Palm Springs High School Auditorium and concession/field house, the new District Administration Building, pool at Cathedral City High School, tenant improvements at District Service Center and various other projects District-wide.

Land improvements were made at various sites including Bubbling Wells Elementary, Cathedral City High School and James Workman Middle School.

Long-Term Obligations

At the end of this year, the District had $373.9 million in general obligation bonds outstanding including premium on issuance versus $383.0 million last year, a decrease of $9.1 million, or (2.4 percent). Compensated absences of $1.6, claims liability of $10.1 million and $6.1 million of net OPEB obligation are also included:

Table 6

(Amounts in millions)	Governmental Activities	
	2015	2014
General obligation bonds	$ 354.0	$ 372.5
Premium on issuance	19.9	10.5
Compensated absences	1.6	1.5
Claims liability	10.1	10.2
Net OPEB obligation	6.1	4.4
Total	$ 391.7	$ 399.1

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of $149.6 million, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

- Completion of the Rancho Mirage High School construction phase.
- Start of the new District Administrative Building.
- Modernization of the Palm Springs High School Auditorium.
- Start of the new District pool at Cathedral City High School.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District budget for the 2015-2016 year, the District Board and management used the following criteria:

The budget assumptions are based on the information from the State Budget 2014-2015 May Revision. The budget is based on the Local Control Funding Formula (LCFF), which ends a system of rule compliance measured by audits and enforced penalties. Throughout his term, Governor Brown has advocated the idea of subsidiarity. Subsidiarity defines the concept that a central authority should have a subsidiary function, performing only those tasks that cannot be effectively performed at a local level. Through the LCFF and the Local Control Accountability Plan (LCAP), districts now have a system that allows them to locally define what is important. Under this new funding model, the State-wide target base grant was not expected to be reached until 2019-2020. The continued growth in State revenue and the Proposition 98 has allowed the Governor to provide increased funding which may accelerate the target date by one to two fiscal years for our District.

The LCFF and LCAP have generated accountability requirements. Districts are required to provide an annual financial and compliance audit, maintenance of effort spending provision, and are required to spend the supplemental and concentration grant funding on the student classifications generating these funds.

The May Revision projects a Proposition 98 funding increase of $6.1 billion over the three year period ($241 million in 2013-2014, $3.1 billion in 2014-2015, and $2.7 million in 2015-2016). The May Revision addresses the Proposition 98 maintenance factor, which represents the amount owed to K-14 education to restore the cuts made during the recession. The budget proposes to repay most of the debt balance in 2015-2016 with only $777 million remaining at the end of the budget year.

The District's costs for both the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) are projected to nearly double over the next five years. The May Revision does not address these cost increases for K-12 education. The CalSTRS impact to the District and the employees is shown below:

Year	District	Pre-PEPRA Employees	Post-PEPRA Employees
2014-2015	8.88%	8.15%	8.15%
2015-2016	10.73%	9.20%	8.56%
2016-2017	12.58%	10.25%	9.205%
2017-2018	14.43%	10.25%	9.205%
2018-2019	16.28%	10.25%	9.205%
2019-2020	18.13%	10.25%	9.205%
2020-2021	19.10%	10.25%	9.205%

The CalPERS board approves rates annually based on actuarial assumptions. Employees classified as "classic" members have continued to pay 7 percent into the system. New members, employees hired after January 1, 2013, pay 6 percent into their retirement fund. The CalPERS impact to the District is shown below:

Actual 2014-2015	Actual 2015-2016	Projected 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020	Projected 2020-2021
11.771%	11.847%	15.0%	16.6%	18.2%	19.9%	20.4%

- On November 7, 2012, the electorate passed Proposition 30 adding Article XIII, Section 36 to the California Constitution. The new created the Education Protection Account (EPA) to receive and disburse the revenues derived from the increased taxes. Starting 2012-2013, school districts have received allocations thru the EPA. These funds are not new revenues to the District. These funds are an offset to the State's revenue limit apportionment. The funds captured by the EPA is currently schedule to expire as follows:
  - The 0.25 percent sales tax increase will expire in 2016.
  - The personal income tax increase will expire in 2018.
- The proposed budget is balanced and reflects a fund balance which exceeds the three percent State required reserve level.

Expenditures are based on the following forecast:

	Staffing Ratio	Enrollment*
Grades Kindergarten through five	26.0:1	6,768
Grades four through six	29.0:1	5,123
Grades six through eight	29.0:1	3,475
Grades nine through twelve	28.5:1	7,241
Total		22,607

*Does not include Cielo Vista Charter School.

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 POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and investments	$ 232,861,243
Receivables	12,073,322
Prepaid expenditures	368,884
Stores inventories	480,218
Capital assets	
Land and construction in process	170,368,972
Other capital assets	579,300,065
Less: Accumulated depreciation	(190,263,654)
Total Capital Assets	559,405,383
Total Assets	805,189,050
DEFERRED OUTFLOWS OF RESOURCES	
Net change in proportionate share of net pension liability	1,291,766
Current year pension contribution	12,629,496
Total Deferred Outflows of Resources	13,921,262
LIABILITIES	
Accounts payable	21,102,720
Interest payable	6,675,321
Unearned revenue	642,689
Claims liabilities	1,714,000
Long-term obligations	
Current portion of long-term obligations other than pensions	13,438,511
Noncurrent portion of long-term obligations other than pensions	378,295,131
Total Long-Term Obligations	391,733,642
Aggregate net pension liability	149,602,989
Total Liabilities	571,471,361
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	40,102,078
NET POSITION	
Net investment in capital assets	402,752,523
Restricted for:	
Debt service	26,202,077
Capital projects	131,777,654
Educational programs	1,882,779
Other activities	12,639,866
Unrestricted	(367,718,026)
Total Net Position	$ 207,536,873

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, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 163,491,434	$ 330,716	$ 28,352,510	$ (134,808,208)
Instruction-related activities:				
Supervision of instruction	9,962,096	26,821	5,232,523	(4,702,752)
Instructional library, media, and technology	2,325,367	158	83,909	(2,241,300)
School site administration	16,190,905	-	393,844	(15,797,061)
Pupil services:				
Home-to-school transportation	4,186,137	-	1,718	(4,184,419)
Food services	12,393,702	615,913	12,207,650	429,861
All other pupil services	13,506,205	5,654	4,415,955	(9,084,596)
Administration:				
Data processing	3,109,225	51	1,369	(3,107,805)
All other administration	9,164,120	47,669	1,481,492	(7,634,959)
Plant services	37,007,560	77,545	2,008,545	(34,921,470)
Ancillary services	2,132,227	-	36,618	(2,095,609)
Enterprise services	4,844	-	4,230	(614)
Interest on long-term obligations	17,354,974	-	-	(17,354,974)
Other outgo	313,977	1,853,970	1,039,876	2,579,869
Total Governmental Activities	$ 291,142,773	$ 2,958,497	$ 55,260,239	(232,924,037)

General Revenues and Subventions:	
Property taxes, levied for general purposes	43,849,233
Property taxes, levied for debt service	26,983,758
Taxes levied for other specific purposes	7,948,115
Federal and State aid not restricted to specific purposes	135,574,665
Interest and investment earnings	151
Transfers between agencies	437,244
Miscellaneous	8,821,417
Subtotal, General Revenues	223,614,583
Change in Net Position	(9,309,454)
Net Position - Beginning	391,658,583
Prior Period Adjustment	(174,812,257)
Net Assets Beginning, as Restated	216,846,327
Net Position - Ending	$ 207,536,873

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 50,888,030	$ 72,301,599	$ 22,644,210
Receivables	8,542,320	221,270	224,592
Due from other funds	3,585,403	-	20,022,302
Prepaid expenditures	368,884	-	-
Stores inventories	167,136	-	-
Total Assets	$ 63,551,773	$ 72,522,869	$ 42,891,104
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 15,778,441	$ 3,325,980	$ 583,407
Due to other funds	21,084,757	28,552	1,613,161
Unearned revenue	619,987	-	-
Total Liabilities	37,483,185	3,354,532	2,196,568
Fund Balances:			
Nonspendable	636,020	-	-
Restricted	1,882,779	69,168,337	-
Assigned	11,616,753	-	40,694,536
Unassigned	11,933,036	-	-
Total Fund Balances	26,068,588	69,168,337	40,694,536
Total Liabilities and Fund Balances	$ 63,551,773	$ 72,522,869	$ 42,891,104

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 32,877,398	$ 32,736,937	$ 211,448,174
-	2,993,989	11,982,171
-	255,360	23,863,065
-	-	368,884
-	313,082	480,218
$ 32,877,398	$ 36,299,368	$ 248,142,512
$ -	$ 1,318,779	$ 21,006,607
-	1,922,937	24,649,407
-	22,702	642,689
-	3,264,418	46,298,703
-	363,082	999,102
32,877,398	32,671,868	136,600,382
-	-	52,311,289
-	-	11,933,036
32,877,398	33,034,950	201,843,809
$ 32,877,398	$ 36,299,368	$ 248,142,512

PALM SPRINGS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 201,843,809**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 749,669,037	
Accumulated depreciation is:	(190,263,654)	
Net Capital Assets		559,405,383
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		12,629,496
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		1,291,766
In the governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(6,675,321)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance and retiree benefits program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		10,395,473
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(40,102,078)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(149,602,989)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	354,019,218	
Premium on issuance	19,851,026	
Compensated absences (vacations)	1,648,312	
Net OPEB obligation	6,130,110	
Total Long-Term Obligations		(381,648,666)
Total Net Position - Governmental Activities		**$ 207,536,873**

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 BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Local Control Funding Formula	$ 168,390,831	$ -	$ -
Federal sources	15,828,302	-	-
Other State sources	14,971,743	-	1,753,392
Other local sources	15,645,947	303,832	11,396,707
Total Revenues	214,836,823	303,832	13,150,099
EXPENDITURES			
Current			
Instruction	141,983,069	-	-
Instruction-related activities:			
Supervision of instruction	9,725,152	-	-
Instructional library, media, and technology	2,281,279	-	-
School site administration	15,798,382	-	-
Pupil services:			
Home-to-school transportation	4,187,143	-	-
Food services	5,322	-	-
All other pupil services	13,586,260	-	-
Administration:			
Data processing	3,144,325	-	-
All other administration	7,456,017	-	-
Plant services	27,300,760	2,048,895	6,157,714
Facility acquisition and construction	-	19,782,321	-
Ancillary services	2,133,263	-	-
Other outgo	313,977	-	-
Debt service			
Principal	-	-	-
Interest and other	-	13,500	-
Total Expenditures	227,919,179	21,844,716	6,157,714
Excess (Deficiency) of Revenues Over Expenditures	(13,082,356)	(21,540,884)	6,992,385
OTHER FINANCING SOURCES (USES)			
Transfers in	6,153,523	-	-
Other sources	-	-	-
Transfers out	(1,654,167)	-	(5,558,696)
Net Financing Sources (Uses)	4,499,356	-	(5,558,696)
NET CHANGE IN FUND BALANCES	(8,583,000)	(21,540,884)	1,433,689
Fund Balances - Beginning	34,651,588	90,709,221	39,260,847
Fund Balances - Ending	$ 26,068,588	$ 69,168,337	$ 40,694,536

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 5,464,800	$ 173,855,631
-	12,664,211	28,492,513
179,333	3,743,010	20,647,478
26,883,747	4,536,833	58,767,066
27,063,080	26,408,854	281,762,688
-	6,268,991	148,252,060
-	274,065	9,999,217
-	63,964	2,345,243
-	540,788	16,339,170
-	-	4,187,143
-	12,519,518	12,524,840
-	8,745	13,595,005
-	-	3,144,325
-	1,323,879	8,779,896
-	1,093,410	36,600,779
-	3,575,380	23,357,701
-	-	2,133,263
-	-	313,977
112,948,677	-	112,948,677
24,576,832	-	24,590,332
137,525,509	25,668,740	419,115,858
(110,462,429)	740,114	(137,353,170)
-	12,695	6,166,218
110,640,268	-	110,640,268
-	(594,827)	(7,807,690)
110,640,268	(582,132)	108,998,796
177,839	157,982	(28,354,374)
32,699,559	32,876,968	230,198,183
$ 32,877,398	$ 33,034,950	$ 201,843,809

PALM SPRINGS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ (28,354,374)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 23,357,129	
Depreciation expense	(14,703,565)	
Net Expense Adjustment		8,653,564
In the Statement of Activities compensated absences (vacations) 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). This year, vacation used was less than the amounts earned by $183,939.		(183,939)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in he deferred outflows, deferred inflows and net pension liability during the year.		(971,549)
In the Statement of Activities, Other Postemployment Benefits 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 was less than the ARC by $1,714,726.		(1,714,726)
Proceeds received from the issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(100,085,000)
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net current year premium recognized.		
Premium on issuance		(9,273,442)

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	$ 118,543,677
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.	358,532
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.	3,717,803
Change in Net Position of Governmental Activities	**$ (9,309,454)**

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Internal Service Funds			
	Workers' Compensation	Retiree Benefits	Property and Liability	Total
ASSETS				
Current Assets				
Deposits and investments	$ 13,618,803	$ 7,712,894	$ 81,372	$ 21,413,069
Receivables	11,682	24,323	55,146	91,151
Due from other funds	197,260	647,554	-	844,814
Total Current Assets	$ 13,827,745	$ 8,384,771	$ 136,518	$ 22,349,034
LIABILITIES				
Current Liabilities				
Accounts payable	$ 78,435	$ 430	$ 17,248	$ 96,113
Due to other funds	-	303	58,169	58,472
Claim liabilities	1,714,000	-	-	1,714,000
Total Current Liabilities	1,792,435	733	75,417	1,868,585
Noncurrent Liabilities				
Long-term claims liability	10,084,976	-	-	10,084,976
Total Liabilities	11,877,411	733	75,417	11,953,561
NET POSITION				
Restricted	1,950,334	8,384,038	61,101	10,395,473
Total Net Position	$ 1,950,334	$ 8,384,038	$ 61,101	$ 10,395,473

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Internal Service Funds			
	Workers' Compensation	Retiree Benefits	Property and Liability	Total
OPERATING REVENUES				
Charges to other funds	$ 5,056,083	$ 1,977,255	$ 48,387	$ 7,081,725
OPERATING EXPENSES				
Payroll costs	78,885	-	35,857	114,742
Professional and contract services	2,409,375	1,534,990	950,385	4,894,750
Supplies and materials	-	-	66,533	66,533
Total Operating Expenses	2,488,260	1,534,990	1,052,775	5,076,025
Operating Income (Loss)	2,567,823	442,265	(1,004,388)	2,005,700
NONOPERATING REVENUES				
Interest income	43,672	26,776	183	70,631
Gain (Loss) Before Capital Contributions and Transfers	2,611,495	469,041	(1,004,205)	2,076,331
Transfers in		576,166	1,065,306	1,641,472
Change in Net Position	2,611,495	1,045,207	61,101	3,717,803
Total Net Position - Beginning	(661,161)	7,338,831	-	6,677,670
Total Net Position - Ending	$ 1,950,334	$ 8,384,038	$ 61,101	$ 10,395,473

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, 2015

	Internal Service Funds
	Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 6,314,591
Cash payments to other suppliers of goods or services	(5,738,958)
Net Cash Provided by Operating Activities	575,633
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contributions	1,641,472
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	104,308
Net Increase in Cash and Cash Equivalents	2,321,413
Cash and Cash Equivalents - Beginning	19,091,656
Cash and Cash Equivalents - Ending	$ 21,413,069
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 2,005,700
Changes in Assets and Liabilities:	
Due from other funds	(767,134)
Accounts payable	(245,109)
Due to other funds	(171,462)
Claims liability	(246,362)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 575,633

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Deposits and investments	$ 966,852
LIABILITIES	
Due to student groups	$ 966,852

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

Charter School

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined, as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $5,045,835, $5,045,835, and $31,181, respectively.

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.

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.

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

Non-Major Governmental Funds

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

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

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.

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

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

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

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds. 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 position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds, the internal service funds, and the restrictions on their use.

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances 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 position. The statement of changes in fund net position 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.

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

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

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 $25,000. 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 position. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

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 Position.

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to 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.

Debt Issuance Costs, Premiums and Discounts

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

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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 position is available. The government-wide financial statements report $172,502,376 of restricted net position.

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by $174,812,257. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 232,861,243
Fiduciary funds	966,852
Total Deposits and Investments	$ 233,828,095

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 966,852
Cash in revolving	150,000
Investments	232,711,243
Total Deposits and Investments	$ 233,828,095

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

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

Investment Type	Fair Value	Weighted-Average Days to Maturity
Riverside County Investment Pool	$ 232,731,023	500

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 Fitch Ratings. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Rating	Rating June 30, 2015	Fair Value
Riverside County Investment Pool	Not Required	AAA/V1	$ 232,731,023

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of $234,151 was exposed to custodial credit risk.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 3,366,317	$ -	$ -	$ 2,159,747	$ -	$ 5,526,064
State Government						
Categorical aid	637,406	-	-	628,701	-	1,266,107
Lottery	1,921,813	-	-	67,319	-	1,989,132
SELPA Master plan	1,391,641	-	-	-	-	1,391,641
Local Government						
Interest	45,317	66,956	16,497	36,866	18,486	184,122
Other Local Sources	1,179,826	154,314	208,095	101,356	72,665	1,716,256
Total	$ 8,542,320	$ 221,270	$ 224,592	$ 2,993,989	$ 91,151	$ 12,073,322

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 86,510,439	$ -	$ -	$ 86,510,439
Construction in progress	71,423,141	20,957,386	8,521,994	83,858,533
Total Capital Assets Not Being Depreciated	157,933,580	20,957,386	8,521,994	170,368,972
Capital Assets Being Depreciated				
Land improvements	1,362,658	770,942	-	2,133,600
Buildings and improvements	550,003,781	7,751,052	-	557,754,833
Furniture and equipment	17,011,889	2,399,743	-	19,411,632
Total Capital Assets Being Depreciated	568,378,328	10,921,737	-	579,300,065
Less Accumulated Depreciation				
Land improvements	210,520	38,525	-	249,045
Buildings and improvements	159,023,130	13,572,950	-	172,596,080
Furniture and equipment	16,326,439	1,092,090	-	17,418,529
Total Accumulated Depreciation	175,560,089	14,703,565	-	190,263,654
Governmental Activities Capital Assets, Net	$ 550,751,819	$ 17,175,558	$ 8,521,994	$ 559,405,383

Depreciation expense charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 13,573,536
All other general administration	453,960
Plant services	676,069
Total Depreciation Expenses	$ 14,703,565

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, 2015, between major and non-major governmental funds and the Internal Service Fund, are as follows:

	Due From					
Due To	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
General Fund	$ -	$ 7,311	$ 1,613,161	$ 1,906,459	$ 58,472	$ 3,585,403
Special Reserve Fund for Capital Outlay Projects	20,017,969	4,313	-	20	-	20,022,302
Non-Major Governmental Funds	238,138	16,928	-	294	-	255,360
Internal Service Fund	828,650	-	-	16,164	-	844,814
Total	$ 21,084,757	$ 28,552	$ 1,613,161	$ 1,922,937	$ 58,472	$ 24,707,879

A balance of $29,603 is due to the Child Development Non-Major Governmental Fund from the General Fund 2014-2015 LCAP 2% COLA retro.

A balance of $20,017,969 is due to the Special Reserve Fund for Capital Outlay Projects from the General Fund for a temporary loan and interest.

A balance of $828,651 is due to the Internal Service Fund from the General Fund for Teams 1 and 2 medical pool expense and workers' compensation/OPEB costs.

A balance of $1,001,499 is due to the General Fund from Child Development Non-Major Governmental Fund for a temporary loan and to cover costs.

A balance of $236,630 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs.

A balance of $1,613,161 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects for routine repairs and maintenance.

A balance of $58,472 is due to the General Fund from the Internal Service Fund to reduce the transfer for P&L insurance.

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.

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfer From			
Transfer To	General Fund	Special Reserve Fund for Capital Projects	Non-Major Governmental Funds	Total Governmental Activities
General Fund	$ -	$ 5,558,696	$ 594,827	$ 6,153,523
Non-Major Governmental Funds	12,695	-	-	12,695
Internal Service Fund	1,641,472	-	-	1,641,472
Total	$ 1,654,167	$ 5,558,696	$ 594,827	$ 7,807,690

The General Fund transferred to the Child Development Non-Major Governmental Fund to cover expenses.	$ 8,619
The General Fund transferred to the Child Development Non-Major Governmental Fund for First Five.	4,076
The Charter School Non-Major Governmental Fund transferred to the General Fund for Special Education Encroachment.	306,626
The General Fund transferred to the Internal Service Fund amounts for retiree benefits.	1,641,472
The Deferred Maintenance Non-Major Governmental Fund transferred to the General Fund to refund Palm Springs High School field renovation.	165,000
The Deferred Maintenance Non-Major Governmental Fund transferred to the General Fund to cover expenses.	100,000
The Deferred Maintenance Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Projects for support of program related expenses.	23,201
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for District Wide Furniture replacement.	1,800,000
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for the support of program related expenses.	2,145,535
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund District Website Software.	8,750
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for 3% contribution of project expenses.	1,604,411
Total	$ 7,807,690

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	$ 3,596,022	$ 47,187	$ 227,419	$ 200,267	$ 96,113	$ 4,167,008
State principal apportionment	6,366,487	-	-	74,586	-	6,441,073
Salaries and benefits	5,815,932	-	-	382,997	-	6,198,929
Construction	-	3,278,793	355,988	660,929	-	4,295,710
Total	$ 15,778,441	$ 3,325,980	$ 583,407	$ 1,318,779	$ 96,113	$ 21,102,720

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 539,413	$ -	$ 539,413
State categorical aid	80,574	-	80,574
Other local	-	22,702	22,702
Total	$ 619,987	$ 22,702	$ 642,689

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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 372,477,895	$ 100,085,000	$ 118,543,677	$ 354,019,218	$ 13,438,511
Premium on issuance	10,577,584	10,555,268	1,281,826	19,851,026	-
Compensated absences	1,464,373	183,939	-	1,648,312	-
Claims liability	10,214,338	-	129,362	10,084,976	-
OPEB obligation	4,415,384	3,471,706	1,756,980	6,130,110	-
	$ 399,149,574	$ 114,295,913	$ 121,711,845	$ 391,733,642	$ 13,438,511

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

Payments for compensated absences are typically paid by the fund for which the employee worked.

Payments for the OPEB obligation are made in the General Fund.

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
11/03/05	02/01/23	2.70-4.38%	17,300,000	$ 950,000	$ -	$ 950,000	$ -
06/14/06	02/01/36	3.63-4.67%	80,000,000	69,225,000	-	69,225,000	-
10/23/07	08/01/36	3.40-4.62%	42,000,000	38,290,000	-	38,290,000	-
06/15/10	02/01/26	4.37%	19,539,035	15,452,895	-	1,013,677	14,439,218
01/12/10	08/01/33	2.00-5.00%	110,000,000	93,605,000	-	1,900,000	91,705,000
06/08/11	08/01/32	0.40-5.00%	75,105,000	64,530,000	-	4,505,000	60,025,000
07/17/13	08/01/33	3.00-4.25%	20,425,000	20,425,000	-	1,280,000	19,145,000
11/05/13	08/01/38	3.00-5.00%	70,000,000	70,000,000	-	1,380,000	68,620,000
07/17/14	08/01/36	3.00-5.00%	100,085,000	-	100,085,000	-	100,085,000
				$ 372,477,895	$ 100,085,000	$ 118,543,677	$ 354,019,218

Debt Service Requirements to Maturity

The bonds mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 13,438,511	$ 15,792,346	$ 29,230,857
2017	13,425,186	15,277,514	28,702,700
2018	14,583,562	14,728,761	29,312,323
2019	14,673,911	14,115,669	28,789,580
2020	15,071,341	13,431,001	28,502,342
2021-2025	75,248,657	56,677,700	131,926,357
2026-2030	88,093,050	38,131,055	126,224,105
2031-2035	96,055,000	15,436,956	111,491,956
2036-2038	23,430,000	1,367,375	24,797,375
Total	$ 354,019,218	$ 184,958,377	$ 538,977,595

Compensated Absences

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $1,648,312.

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 $10,084,976 at June 30, 2015.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $3,273,014, and contributions made by the District during the year were $1,534,990. Interest on the net OPEB obligation and adjustments to the annual required contribution were $198,692 and ($221,990), respectively, which resulted in an increase to the net OPEB obligation of $1,714,726. As of June 30, 2015, the net OPEB obligation was $6,130,110. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Nonspendable				
Revolving cash	$ 100,000	$ -	$ -	$ -
Stores inventories	167,136	-	-	-
Prepaid expenditures	368,884	-	-	-
Total Nonspendable	636,020	-	-	-
Restricted				
Legally restricted programs	1,882,779	-	-	-
Capital projects	-	69,168,337	-	-
Debt services	-	-	-	32,877,398
Total Restricted	1,882,779	69,168,337	-	32,877,398
Assigned				
School/Department carryover	1,441,300	-	-	-
Textbook adoption	4,558,907	-	-	-
Mental Health Program	344,235	-	-	-
Local Control Accountability Plan	3,491,104	-	-	-
Operational expectations	1,498,677	-	-	-
Repair and replacement of equipment	243,665	-	-	-
Capital Projects	-	-	40,694,536	-
Other assignments	38,865	-	-	-
Total Assigned	11,616,753	-	40,694,536	-
Unassigned				
Economic uncertainties	6,887,200	-	-	-
Remaining unassigned	5,045,836	-	-	-
Total Unassigned	11,933,036	-	-	-
Total	$ 26,068,588	$ 69,168,337	$ 40,694,536	$ 32,877,398

Non-Major Governmental Funds	Total
$ 50,000	$ 150,000
313,082	480,218
-	368,884
363,082	999,102
10,757,087	12,639,866
21,914,781	91,083,118
-	32,877,398
32,671,868	136,600,382
-	1,441,300
-	4,558,907
-	344,235
-	3,491,104
-	1,498,677
-	243,665
-	40,694,536
-	38,865
-	52,311,289
-	6,887,200
-	5,045,836
-	11,933,036
$ 33,034,950	$ 201,843,809

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Palm Springs Unified School District. The Plan provides medical, dental, and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 134 retirees and beneficiaries currently receiving benefits, and 1963 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 2014-2015, the District contributed $1,534,990 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 3,273,014
Interest on net OPEB obligation	198,692
Adjustment to annual required contribution	(221,990)
Annual OPEB cost (expense)	3,249,716
Contributions made	(1,534,990)
Increase in net OPEB obligation	1,714,726
Net OPEB obligation, beginning of year	4,415,384
Net OPEB obligation, end of year	$ 6,130,110

Trend Information

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

Year Ended June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 2,838,160	$ 1,544,005	54%	$ 3,053,225
2014	2,842,603	1,480,444	52%	4,415,384
2015	3,249,716	1,534,990	47%	6,130,110

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 1, 2014	$ -	$ 28,641,652	$ 28,641,652	0%	$ 142,009,935	20%

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

Actuarial Methods and Assumptions

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

On the November 1, 2014 actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return, based on assumed long-term return on plan assets or employer assets, as appropriate. Healthcare cost trend rates were assumed at an ultimate rate of four percent based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. The level percentage payroll method was used to allocate amortization cost by year.

NOTE 11 - RISK MANAGEMENT - CLAIMS

Description

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

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

Claims Liabilities

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

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 represents the changes in approximate aggregate liabilities of the District from July 1, 2014 to June 30, 2015:

	Workers' Compensation
Liability Balance, July 1, 2013	$ 11,667,649
Claims and changes in estimates	2,881,778
Claims payments	(2,504,089)
Liability Balance, June 30, 2014	12,045,338
Claims and changes in estimates	1,845,037
Claims payments	(2,091,399)
Liability Balance, June 30, 2015	$ 11,798,976
Assets available to pay claims at June 30, 2015	$ 13,827,745

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 116,093,098	$ 8,764,115	$ 28,587,704	$ 10,061,467
CalPERS	33,509,891	5,157,147	11,514,374	4,831,343
Total	$ 149,602,989	$ 13,921,262	$ 40,102,078	$ 14,892,810

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $8,764,115.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
District's proportionate share of net pension liability	$ 116,093,098
State's proportionate share of the net pension liability associated with the District	70,102,025
Total	$ 186,195,123

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1987 percent.

For the year ended June 30, 2015, the District recognized pension expense of $10,061,467 and revenue of $6,052,068 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,764,115	$ -
Difference between projected and actual earnings on pension plan investments	-	25,587,704
Total	$ 8,764,115	$ 25,587,704

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 7,146,926
2017	7,146,926
2018	7,146,926
2019	7,146,926
Total	$ 28,587,704

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 180,958,777
Current discount rate (7.60%)	116,093,098
1% increase (8.60%)	62,006,909

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions for funding, but not accounting purposes, and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $3,865,381.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $33,509,891. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2952 percent.

For the year ended June 30, 2015, the District recognized pension expense of $4,831,343. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,865,381	$ -
Net change in proportionate share of net pension liability	1,291,766	-
Difference between projected and actual earnings on pension plan investments	-	11,514,374
Total	$ 5,157,147	$ 11,514,374

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred outflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement is a 3.9 years and the pension will be recognized as follows:

Year Ended June 30,	Amortization
2016	$ 322,942
2017	322,942
2018	322,942
2019	322,940
Total	$ 1,291,766

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,878,594
2017	2,878,594
2018	2,878,594
2019	2,878,592
Total	$ 11,514,374

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 58,783,999
Current discount rate (7.50%)	33,509,891
1% increase (8.50%)	12,390,827

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 $4,835,804 (5.679 percent of the 2012-2013 creditable compensation subject to STRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS). 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 budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

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, 2015.

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, 2015.

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 and liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2015, the District made payments of $798,396 and $1,172,046, to So Cal ReLiEF and REEP, respectively, for health and property and liability coverage.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide - Statement of Net Position	
Net Position - Beginning	$ 391,658,583
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(185,657,755)
Inclusion of deferred outflow of resources from the adoption of GASB Statement No. 68	10,845,498
Net Position - Beginning as Restated	$ 216,846,326

REQUIRED SUPPLEMENTARY INFORMATION

PALM SPRINGS UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 164,689,373	$ 200,789,824	$ 168,390,831	$ (32,398,993)
Federal sources	13,870,423	15,473,875	15,828,302	354,427
Other State sources	8,311,882	21,170,100	14,971,743	(6,198,357)
Other local sources	11,939,387	13,776,554	15,645,947	1,869,393
Total Revenues [1]	198,811,065	251,210,353	214,836,823	(36,373,530)
EXPENDITURES				
Current				
Certificated salaries	95,580,763	109,012,594	100,961,684	8,050,910
Classified salaries	31,395,889	35,896,704	31,983,464	3,913,240
Employee benefits	46,668,171	53,531,508	51,544,966	1,986,542
Books and supplies	11,228,682	13,642,566	13,762,569	(120,003)
Services and operating expenditures	24,769,983	36,927,698	28,700,009	8,227,689
Capital outlay	1,114,000	981,769	1,584,866	(603,097)
Other outgo	(1,061,540)	623,863	(618,379)	1,242,242
Total Expenditures [1]	209,695,948	250,616,702	227,919,179	22,697,523
Excess (Deficiency) of Revenues Over Expenditures	(10,884,883)	593,651	(13,082,356)	(13,676,007)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,318,487	6,217,014	6,153,523	(63,491)
Transfers out	(1,123,475)	4,826,026	(1,654,167)	(6,480,193)
Net Financing Sources (Uses)	6,195,012	11,043,040	4,499,356	(6,543,684)
NET CHANGE IN FUND BALANCE	(4,689,871)	11,636,691	(8,583,000)	(20,219,691)
Fund Balance - Beginning	34,651,588	34,651,588	34,651,588	-
Fund Balance - Ending	$ 29,961,717	$ 46,288,279	$ 26,068,588	$ (20,219,691)

[1] On behalf payments of $4,835,804 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS AND EMPLOYER CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2011	$ -	$ 24,280,898	$ 24,280,898	0%	$ 128,114,977	19%

The District has placed $8,384,038 in the Internal Service Fund as being expressly for the purpose of funding the future liability associated with the District's OPEB obligation. This designation is not allowed to be included in the actuarial value of assets noted above. If this amount had been placed into a restricted irrevocable trust in accordance with GASB Statement No. 43 guidelines, as of year-end, the calculation of the actuarial value of assets would have been $8,384,038. The unfunded AAL would have been $17,353,740. The funded ratio would have been 30 percent, and the UAAL as a percentage of covered payroll, would have been 13 percent, accordingly.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability (asset)	0.1987%
District's proportionate share of the net pension liability (asset)	$ 116,093,098
State's proportionate share of the net pension liability (asset) associated with the District	70,102,025
Total	$ 186,195,123
District's covered - employee payroll	$ 92,877,709
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	125.00%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability (asset)	0.2952%
District's proportionate share of the net pension liability (asset)	$ 33,509,891
District's covered - employee payroll	$ 30,950,192
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	108.27%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 8,764,115
Contributions in relation to the contractually required contribution	8,764,115
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 98,694,989
Contributions as a percentage of covered - employee payroll	8.88%
CalPERS	
Contractually required contribution	$ 3,865,381
Contributions in relation to the contractually required contribution	3,865,381
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 32,838,170
Contributions as a percentage of covered - employee payroll	11.77%

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

SUPPLEMENTARY INFORMATION

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Carl D. Perkins Vocational and Technical Education Act of 1998	84.048	14894	$ 272,633
Passed through Riverside County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,579,630
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	32,618
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	42,337
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	123,219
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	387,053
Preschool Staff Development, Part B, Section 619	84.173A	13431	634
Total Special Education (IDEA) Cluster			3,165,491
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	7,932,302
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	44,363
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	954,926
Title II, Part B, California Mathematics and Science Partnerships (CaMSP)	84.366	14512	59,865
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	658,713
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	1,299
Total U.S. Department of Education			13,089,592

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665	10044	$ 7,298
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	2,405,963
National School Lunch Program	10.555	13524	7,371,603
Meal Supplement	10.555	13396	158,403
Summer Food Service Program Operations	10.559	13004	144,769
Summer Food Service Sponsor Admin	10.559	13006	15,089
Food Distribution	10.555	13524	849,098
Total Child Nutrition Cluster			10,944,925
Child and Adult Care Food Program	10.558	13393	1,719,284
Total U.S. Department of Agriculture			12,671,507
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[2]	153,549
U.S. DEPARTMENT OF PUBLIC SOCIAL SERVICES			
Healthy Families	[1]	[2]	2
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	638,637
Passed through Riverside County Office of Education (RCOE):			
Head Start	93.600	10016	1,866,294
Total U.S. Department of Health and Human Services			2,504,931
Total Federal Programs			$ 28,419,581

[1] CFDA Number not available
[2] 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, 2015

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

MEMBER	OFFICE	TERM EXPIRES
Karen Cornett	President	2018
Shari Stewart	Clerk	2016
Richard R. Clapp	Member	2016
John Gerardi	Member	2018
James Williamson	Member	2018

ADMINISTRATION

Christine Anderson, Ed.D.	Superintendent
Brian J. Murray	Assistant Superintendent, Business Services
Mike Swize	Assistant Superintendent, Educational Services
Mauricio Arellano	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,500.08	6,505.92
Fourth through sixth	4,776.43	4,787.46
Seventh and eighth	3,337.24	3,321.37
Ninth through twelfth	6,621.19	6,510.12
Total Regular ADA	21,234.94	21,124.87
Extended Year Special Education		
Transitional kindergarten through third	2.89	2.89
Fourth through sixth	2.27	2.27
Seventh and eighth	1.70	1.70
Ninth through twelfth	5.74	5.74
Total Extended Year Special Education	12.60	12.60
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.02
Fourth through sixth	1.79	2.17
Ninth through twelfth	1.52	1.77
Total Special Education, Nonpublic, Nonsectarian Schools	3.31	3.96
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.10	0.10
Ninth through twelfth	0.21	0.16
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.31	0.26
Total ADA	21,251.16	21,141.69
CIELO VISTA CHARTER SCHOOL		
Regular ADA		
Transitional kindergarten through third	457.73	455.43
Fourth through sixth	276.13	275.12
Total Non-Classroom Based ADA	733.86	730.55
Classroom based ADA		
Regular ADA		
Transitional kindergarten through third	456.32	453.47
Fourth through sixth	274.92	274.15
Total Classroom Based ADA	731.24	727.62

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days: Traditional Calendar	Number of Days: Multitrack Calendar	Status
Kindergarten	36,000	34,971	35,600	178	N/A	Complied
Grades 1 - 3	50,400	48,960				
Grade 1			51,850	178	N/A	Complied
Grade 2			51,850	178	N/A	Complied
Grade 3			51,850	178	N/A	Complied
Grades 4 - 6	54,000	52,457				
Grade 4			52,880	178	N/A	Complied
Grade 5			52,880	178	N/A	Complied
Grade 6			57,104	178	N/A	Complied
Grades 7 - 8	54,000	52,457				
Grade 7			57,104	178	N/A	Complied
Grade 8			57,104	178	N/A	Complied
Grades 9 - 12	64,800	62,949				
Grade 9			64,070	178	N/A	Complied
Grade 10			64,070	178	N/A	Complied
Grade 11			64,070	178	N/A	Complied
Grade 12			64,070	178	N/A	Complied

CIELO VISTA CHARTER SCHOOL

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days: Traditional Calendar	Number of Days: Multitrack Calendar	Status
Kindergarten	36,000	34,971	55,870	178	N/A	Complied
Grades 1 - 3	50,400	48,960				
Grade 1			56,535	178	N/A	Complied
Grade 2			56,535	178	N/A	Complied
Grade 3			56,535	178	N/A	Complied
Grades 4 - 6	54,000	52,457				
Grade 4			57,865	178	N/A	Complied
Grade 5			57,865	178	N/A	Complied
Grade 6			57,865	178	N/A	Complied

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SUMMARY OF THE PROPOSITION 10 GRANT
FOR THE YEAR ENDED JUNE 30, 2015

	Proposition 10 Agreement Number	
	13316-QP	13316-AQ
	July 1, 2014 - June 30, 2015	July 1, 2014 - June 30, 2015
REVENUES		
State categorical aid	$ 115,498	$ 205,245
EXPENDITURES		
Personnel and benefits	$ -	$ 204,440
Operating expenditures	115,498	805
	$ 115,498	$ 205,245

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND [5]				
Revenues	$ 251,210,353	$ 214,805,642	$ 191,070,987	$ 185,697,397
Other sources and transfers in	6,217,014	9,672,145	12,348,282	402,588
Total Revenues and Other Sources	257,427,367	224,477,787	203,419,269	186,099,985
Expenditures	249,368,976	227,919,179	203,900,117	182,147,881
Other uses and transfers out	4,826,026	1,654,167	44,586,222	2,794,487
Total Expenditures and Other Uses	254,195,002	229,573,346	248,486,339	184,942,368
INCREASE (DECREASE) IN FUND BALANCE	$ 3,232,365	$ (5,095,559)	$ (45,067,070)	$ 1,157,617
ENDING FUND BALANCE	$ 24,255,118	$ 21,022,753	$ 26,118,312	$ 71,185,382
AVAILABLE RESERVES [2]	$ 23,690,143	$ 11,933,036	$ 19,816,674	$ 30,187,439
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	9.3%	5.3%	8.1%	16.7%
LONG-TERM OBLIGATIONS	N/A	$ 391,733,642	$ 399,149,574	$ 322,937,589
AVERAGE DAILY ATTENDANCE AT P-2 [4]	21,251	21,251	21,237	21,322

The General Fund balance has decreased by $50,162,629 over the past two years. The fiscal year 2015-2016 budget projects an increase of $3,232,365 (15.38 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 deficits in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $68,796,053 over the past two years.

Average daily attendance has decreased by 71 over the past two years. No change in ADA is anticipated during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $4,835,804, $4,850,283, and $4,645,851, has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.
[4] Excludes Charter School ADA.
[5] General Fund amounts do not include activity related to the consolidation as required by GASB Statement No. 54 of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Name of Charter School	Included in Audit Report
Cielo Vista Charter School	Yes

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	$ 3,248,351	$ 619,745	$ 6,396,262	$ -
Receivables	79,931	479,786	2,337,647	20
Due from other funds	201,940	29,603	6,889	-
Stores inventories	-	-	313,082	-
Total Assets	$ 3,530,222	$ 1,129,134	$ 9,053,880	$ 20
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 248,547	$ 107,313	$ 291,605	$ -
Due to other funds	674,302	1,005,303	243,295	20
Unearned revenue	-	1,122	21,580	-
Total Liabilities	922,849	1,113,738	556,480	20
Fund Balances:				
Nonspendable	50,000	-	313,082	-
Restricted	2,557,373	15,396	8,184,318	-
Total Fund Balances	2,607,373	15,396	8,497,400	-
Total Liabilities and Fund Balances	$ 3,530,222	$ 1,129,134	$ 9,053,880	$ 20

See accompanying note to supplementary information.

Capital Facilities Fund	Non-Major Governmental Funds
$ 22,472,579	$ 32,736,937
96,605	2,993,989
16,928	255,360
-	313,082
$ 22,586,112	$ 36,299,368
$ 671,314	$ 1,318,779
17	1,922,937
-	22,702
671,331	3,264,418
-	363,082
21,914,781	32,671,868
21,914,781	33,034,950
$ 22,586,112	$ 36,299,368

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Charter School Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Local Control Funding Formula	$ 5,464,800	$ -	$ -	$ -
Federal sources	-	2	12,664,209	-
Other State sources	462,880	2,404,949	875,181	-
Other local sources	118,556	253	802,221	1,615
Total Revenues	6,046,236	2,405,204	14,341,611	1,615
EXPENDITURES				
Current				
Instruction	4,305,164	1,963,827	-	-
Instruction-related activities:				
Supervision of instruction	1,037	273,028	-	-
Instructional library, media and technology	63,964	-	-	-
School site administration	540,788	-	-	-
Pupil services:				
Food services	-	2,592	12,516,926	-
All other pupil services	-	8,745	-	-
Administration:				
All other administration	416,154	31,440	540,238	-
Plant services	292,597	40,565	8,303	614,947
Facility acquisition and construction	-	108,664	-	938,836
Total Expenditures	5,619,704	2,428,861	13,065,467	1,553,783
Excess (Deficiency) of Revenues Over Expenditures	426,532	(23,657)	1,276,144	(1,552,168)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,695	-	-
Transfers out	(306,626)	-	-	(288,201)
Net Financing Sources (Uses)	(306,626)	12,695	-	(288,201)
NET CHANGE IN FUND BALANCES	119,906	(10,962)	1,276,144	(1,840,369)
Fund Balances - Beginning	2,487,467	26,358	7,221,256	1,840,369
Fund Balances - Ending	$ 2,607,373	$ 15,396	$ 8,497,400	$ -

See accompanying note to supplementary information.

Capital Facilities Fund	Non-Major Governmental Funds
$ -	$ 5,464,800
-	12,664,211
-	3,743,010
3,614,188	4,536,833
3,614,188	26,408,854
-	6,268,991
-	274,065
-	63,964
-	540,788
-	12,519,518
-	8,745
336,047	1,323,879
136,998	1,093,410
2,527,880	3,575,380
3,000,925	25,668,740
613,263	740,114
-	12,695
-	(594,827)
-	(582,132)
613,263	157,982
21,301,518	32,876,968
$ 21,914,781	$ 33,034,950

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the reconciling amounts consist primarily of Medi-Cal Billing Option funds and Medical and Medi-Cal Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 28,492,513
Medi-Cal Billing Option	93.778	(33,874)
Medi-Cal Administrative Activities Program	93.778	(39,058)
Total Schedule of Expenditures of Federal Awards		$ 28,419,581

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. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Summary of Proposition 10 Grants

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the Palm Springs Unified School District, and displays information for each Charter School on whether or not the Charter School is included in the District's audit.

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

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Palm Springs Unified School District
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Palm Springs Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Palm Springs Unified School District in a separate letter dated December 15, 2015.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
Palm Springs Unified School District
Palm Springs, California

Report on Compliance for Each Major Federal Program

We have audited Palm Springs Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Palm Springs Unified School District's (the District) major Federal programs for the year ended June 30, 2015. Palm Springs Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Palm Springs Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Palm Springs Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Palm Springs Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Palm Springs Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Palm Springs Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Palm Springs Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Palm Springs Unified School District
Palm Springs, California

Report on State Compliance

We have audited Palm Springs Unified School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Palm Springs Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Palm Springs Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 opinions. Our audit does not provide a legal determination of Palm Springs Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Palm Springs Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	Yes
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

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

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

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

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

The District did not offer a Regional Occupational Program; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District did not offer an Adult Education Program; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

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

The District does not offer Non Classroom-Based Instruction/Independent Study; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study.

The District does not offer a Charter School Facility Grant Program; therefore, we did not perform any procedures related to Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 852,587
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

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

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2014-001 30000

Fiscal Condition (Negative Net Position – Internal Service Fund Workers' Compensation)

Significant Deficiency

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopts, implement, and monitor procedures that will allow for timely reporting of financial information to management and those charged with governance.

Condition

The District has established an Internal Service Fund to account for workers' compensation expenses and related costs associated with District employees. At June 30, 2014, the Internal Service Workers' Compensation Fund has a deficit net position balance in the amount of $661,161. The financial statement impact of this situation is that the Internal Service Workers' Compensation Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through review of the District Internal Service Fund financial statements, fund balance, and current year activity related to the workers' compensation account.

Effect

There currently is no direct effect on the District other than the reporting of a negative net position within the worker's compensation. The Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows.

Cause

The District until the 2011-2012 fiscal year had not previously recognized the entire amount associated with the District's actuarially determined liability related to its workers' compensation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation

The District must continue to evaluate its ability to fund its workers' compensation program on an accrual basis within a reasonable period. Accordingly, the District's premium contribution should continue to increase.

Current Status

Implemented.

Governing Board
Palm Springs Unified School District
Palm Springs, California

In planning and performing our audit of the financial statements of Palm Springs Unified School District for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2015, on the financial statements of Palm Springs Unified School District.

2014-2015 OBSERVATIONS AND RECOMMENDATIONS

ASSOCIATED STUDENT BODY (ASB)

Mt. San Jacinto High School

Pre Numbered Receipts-Cash Collection Procedures

Observation

Cash collections are being verified at the time of deposit, rather than at the time or soon after the collection of the money by the bookkeeper. No supporting documentation is provided to the bookkeeper to verify funds, and no procedure is in place to verify deposit made by collector. As a result, sufficient controls do not exist with regards to cash collections, since funds on hand, if lost or stolen, could not be verified.

Recommendation

To strengthen the procedures over cash collections, all cash should be verified and receipted at the time of or very soon after the money is turned over to the bookkeeper. Personnel responsible for collecting funds should provide supporting documentation to the bookkeeper, who will verify funds on hand were accurately accounted for. This procedure prevents and avoids any dispute over the amount of cash submitted by the person turning in the funds to the office. The immediate receipting process is also a tool for the bookkeeper to reconcile the cash awaiting deposit to the receipts issued since the last bank deposit. The current system would not disclose that funds have been misplaced or stolen since the cash on hand at the date of the deposit would be the only funds receipted.

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Governing Board
Palm Springs Unified School District

Desert Hot Springs High School

Financial Statements

Observation

In reviewing the site's financial statements, it was discovered that the change fund, petty cash fund, and student store inventory are not being reported on the financial statements. The change fund at the site is an amount of $1500 and the petty cash fund is an amount of $500. The inventory will always vary due to inventory count at the end of each month.

Recommendation

Site should make the correct changes to the financial statements to report the amount of cash being kept at the site and the value of the inventory. It is important to have the amount of cash on hand being kept at the site reported on the financial statements to ensure the accuracy and to account for the cash on hand to have tracking of the value, as well as of the inventory.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015

To the 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) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 16, 2015. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Palm Springs Unified School District are described in Note 1 to the financial statements. As described in Note 1 under "Changes in Accounting Principles", the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

> Management's estimate of capital asset depreciation is based on the expected useful life for assets being capitalized and as described in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. This information is disclosed in Note 4 to the financial statements.
>
> Additionally, the estimate of the future costs of postemployment benefits provided to retirees is based upon current information about the District's employees, benefit plans, and health care rates. These factors are considered by the actuary in determining both the estimated liability and the current year required contribution to the plan. Management's estimate of the other post-employment benefits obligation liability is based on actuarial valuations performed. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

> Lastly, the estimate of the future costs of pension plan benefits provided to retirees is based upon employee members' final compensation, age and years of service credit, District contributions to the plans, and projected retirement pension benefit pay-outs. These factors are considered by the actuary in determining the estimated liability as well as deferred inflows and outflows of resourced associated with the liability. Note 12 to the financial statements provides additional information about the actuarial methods and assumptions used, and the required supplementary information provides the schedule of progress toward funding this liability

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2015.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we applied certain limited procedures to the Budgetary Comparison Schedule, Schedule of Postemployment Benefits Funding Progress, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions and Management's Discussion and Analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the accompanying supplementary information, which accompany the financial statements, but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on this other information.

Restriction on Use

This information is intended solely for the use of the Governing Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2015