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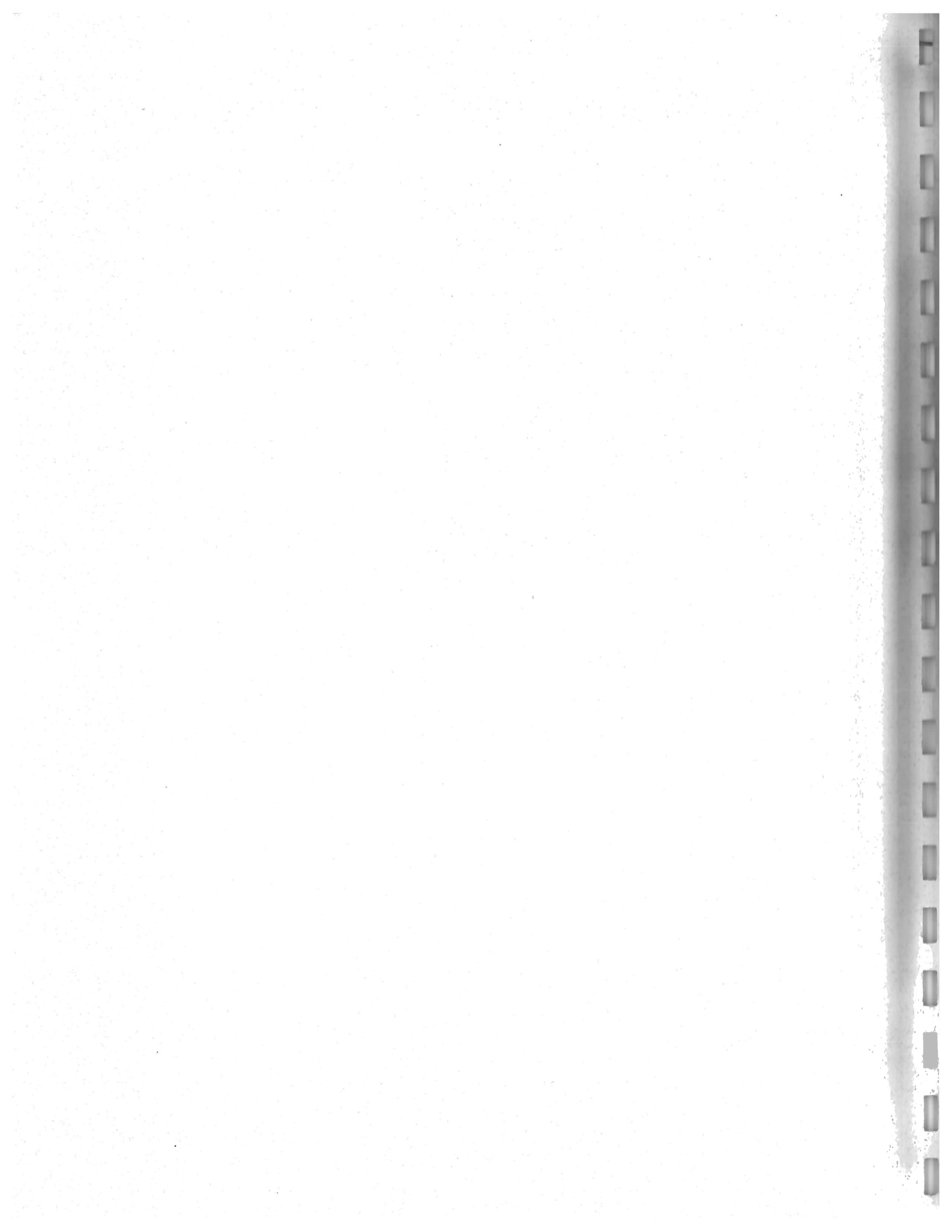
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PALM SPRINGS UNIFIED SCHOOL DISTRICT



ANNUAL FINANCIAL REPORT JUNE 30, 1998

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



PALM SPRINGS UNIFIED SCHOOL DISTRICT

OF RIVERSIDE COUNTY

PALM SPRINGS, CALIFORNIA

JUNE 30, 1998

GOVERNING BOARD

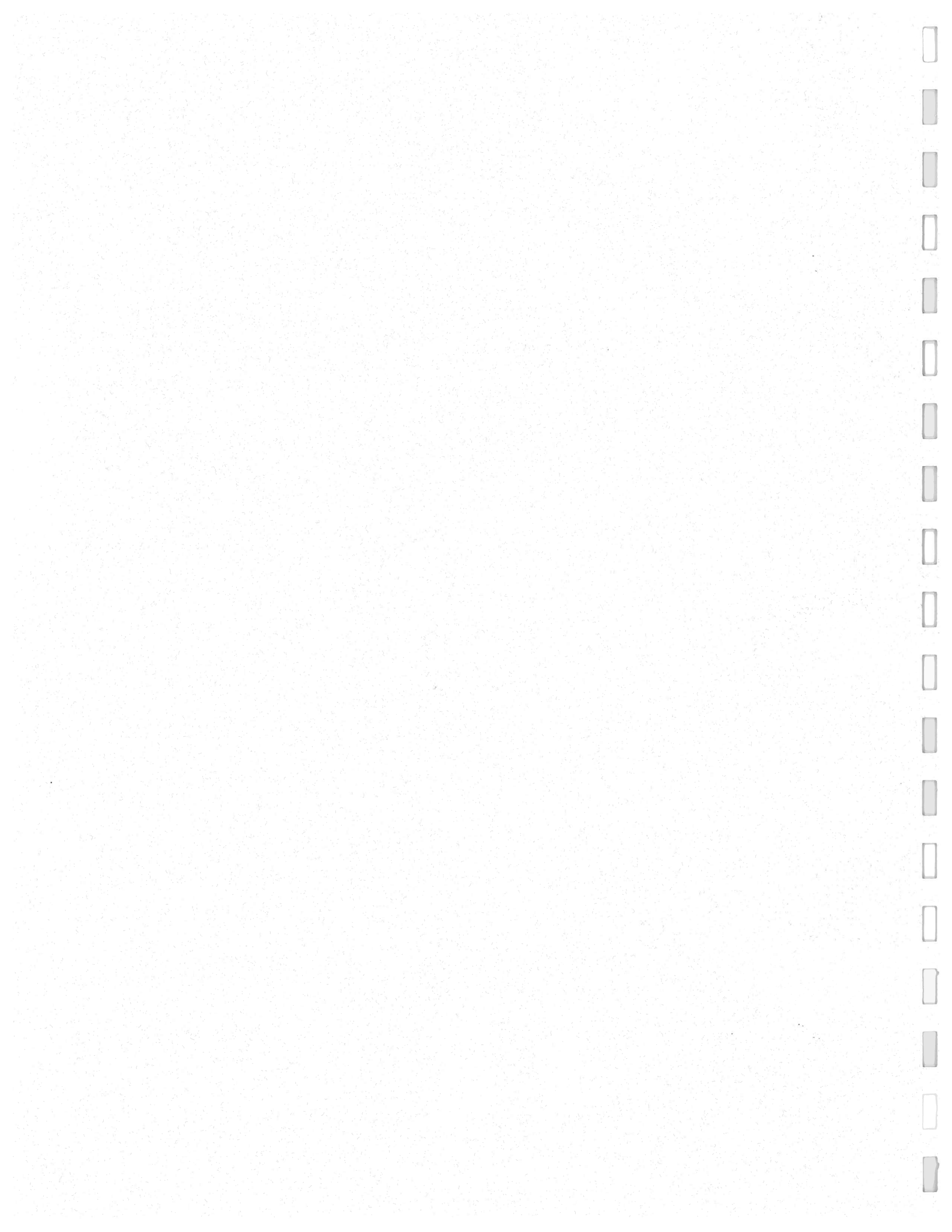
<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Donald T. Aikens	President	1999
Meredy Shoenberger	Clerk	2001
Andrew Green	Member	2001
Leslie DeMersseman	Member	1999
Michael McCabe	Member	2001

ADMINISTRATION

William E. Diedrich, Ph.D.	Superintendent
David L. Costner	Assistant Superintendent, Business Services
Linda Bray	Assistant Superintendent, Educational Services
Michael Sellwood, Ed.D.	Deputy Superintendent, Personnel Services
Craig Borba, Ph.D.	Director of Pupil Personnel Services

ORGANIZATION

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



PALM SPRINGS UNIFIED SCHOOL DISTRICT

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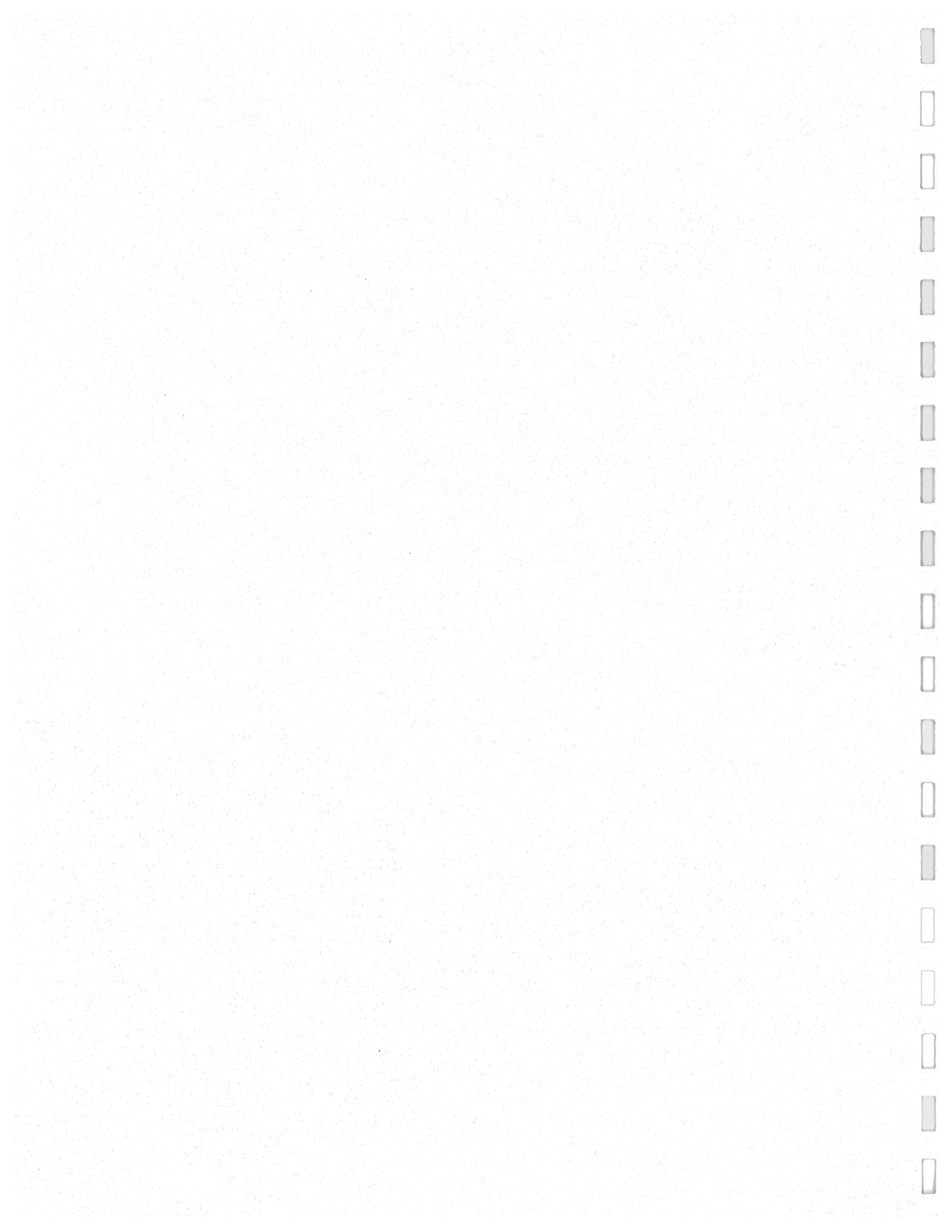
June 30, 1998

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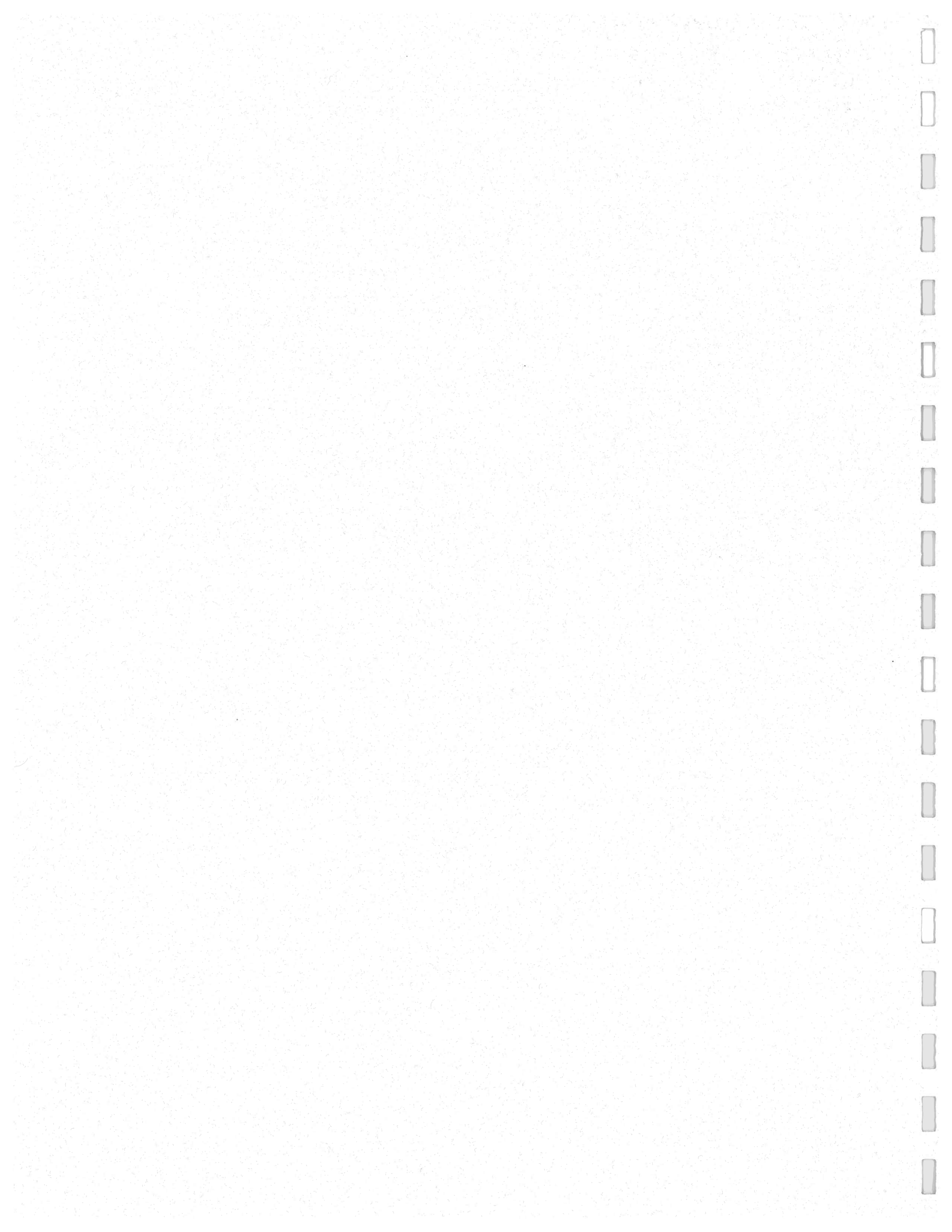
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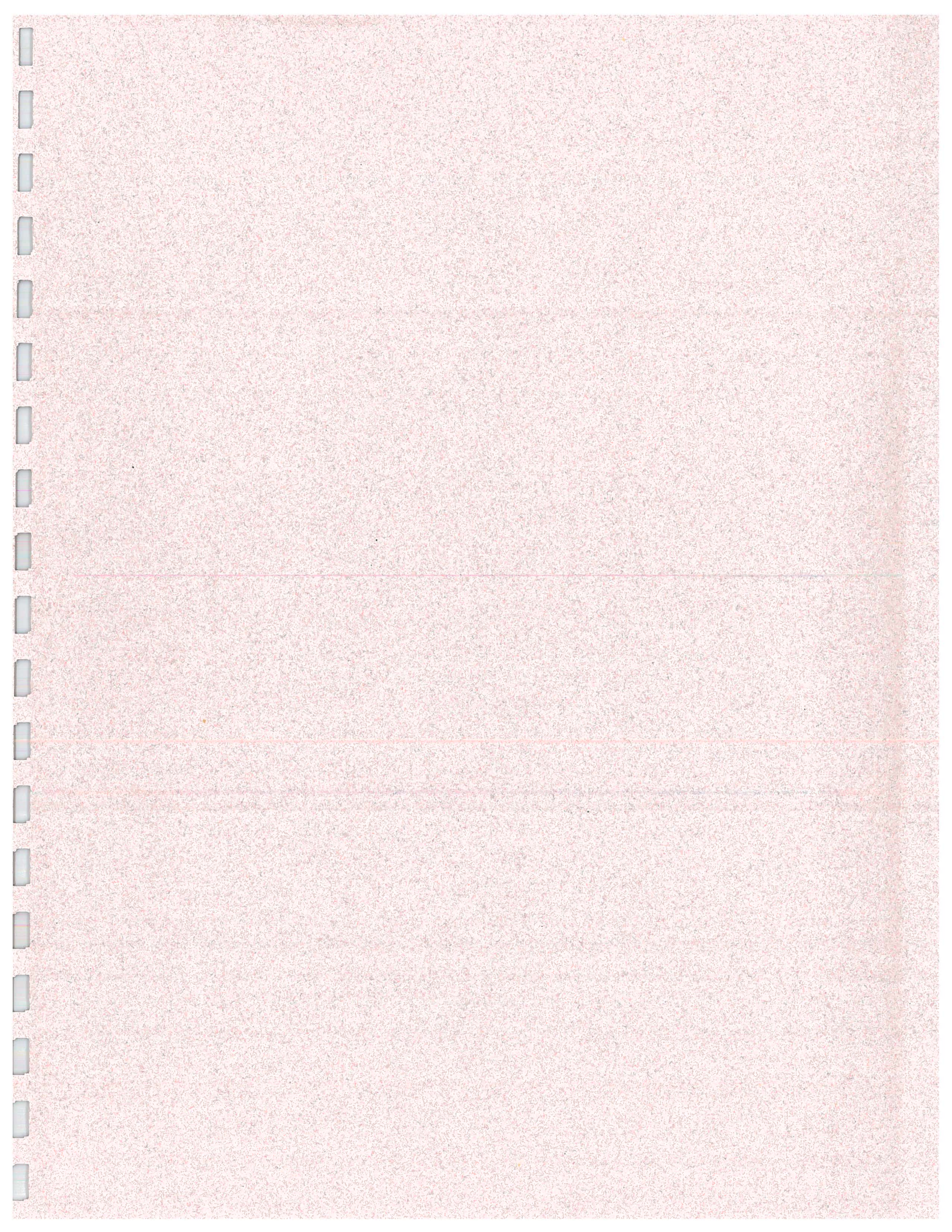
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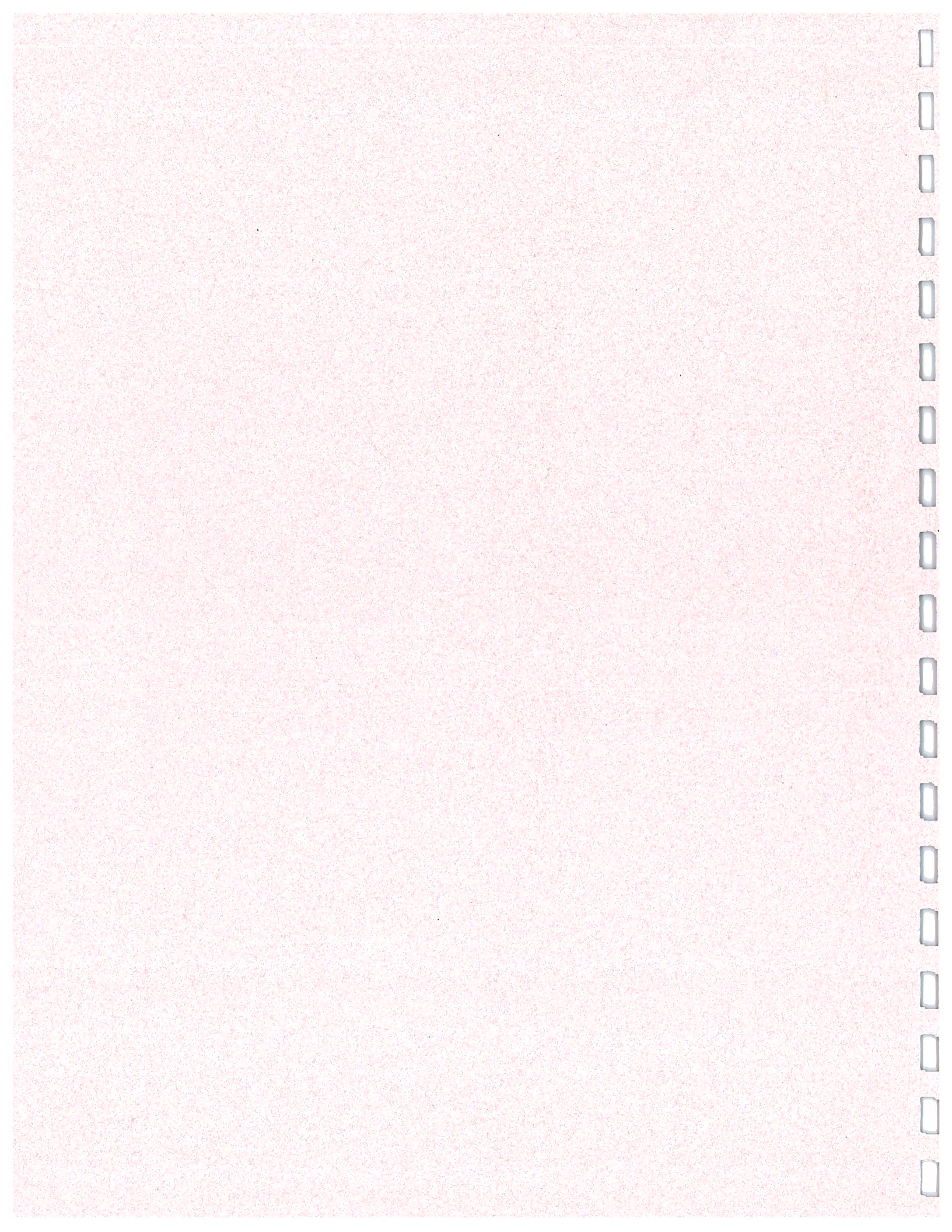
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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

Members:

- American Institute of Certified Public Accountants
 - SEC Practice Section
- California Society of Certified Public Accountants
 - Western Association of Accounting Firms

INDEPENDENT AUDITORS' REPORT

Governing Board

Palm Springs Unified School District
Palm Springs, California

We have audited the accompanying general-purpose and combining financial statements of the Palm Springs Unified School District, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Palm Springs Unified School District at June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 1998, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining financial statements of Palm Springs Unified School District. The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of Palm Springs Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Varrinik, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 9, 1998

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
JUNE 30, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 50,000	\$ 646,104		
Investments	18,831,269	1,494,730	\$ 2,067,503	\$ 12,708,429
Accounts receivable	4,290,234	663,632		2,384,116
Due from other funds	3,432,995	2,567,410		72,392,299
Stores inventory	275,458	89,728		
Amount available for the retirement of general long-term debt				
Amount to be provided for the retirement of general long-term debt				
Total Assets	<u>\$ 26,879,956</u>	<u>\$ 5,461,604</u>	<u>\$ 2,067,503</u>	<u>\$ 87,484,844</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	3,170,982	123,897		5,392,786
Due to other funds	11,209,416	1,198,787		65,984,501
Deferred revenue	1,345,255			
Due to student groups				
General long-term debt				
Total Liabilities	<u>15,725,653</u>	<u>1,322,684</u>		<u>71,377,287</u>
FUND EQUITY				
Fund balances				
Reserved	1,120,573	92,758		
Unreserved				
Designated	8,491,608	4,046,162		16,107,556
Undesignated	1,542,122		2,067,503	1
Total Fund Equity	<u>11,154,303</u>	<u>4,138,920</u>	<u>2,067,503</u>	<u>16,107,557</u>
Total Liabilities and Fund Equity	<u>\$ 26,879,956</u>	<u>\$ 5,461,604</u>	<u>\$ 2,067,503</u>	<u>\$ 87,484,844</u>

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

Fiduciary Fund Types	Account Group	Total
Expendable Trust	General Long-Term Debt	(Memorandum Only)
\$ 458,985		\$ 1,155,089
		35,101,931
		7,337,982
		78,392,704
		365,186
	\$ 2,067,503	2,067,503
	57,416,520	57,416,520
<u>\$ 458,985</u>	<u>\$ 59,484,023</u>	<u>\$ 181,836,915</u>
33,044		8,720,709
		78,392,704
		1,345,255
177,427		177,427
	59,484,023	59,484,023
<u>210,471</u>	<u>59,484,023</u>	<u>148,120,118</u>
		1,213,331
		28,893,840
248,514		3,609,626
<u>248,514</u>		<u>33,716,797</u>
<u>\$ 458,985</u>	<u>\$ 59,484,023</u>	<u>\$ 181,836,915</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Revenue Limit Sources				
State apportionments	\$ 44,090,329	\$ 405,429		
Local sources	23,012,454			
Total Revenue Limit Sources	67,102,783	405,429		
Federal revenues	5,178,823	3,102,833		
Other state revenues	17,504,178	864,816	\$ 80,015	
Other local revenues	4,373,205	2,732,024	4,485,448	\$ 3,648,358
Tuition and transfers	120,295			
Total Revenues	94,279,284	7,105,102	4,565,463	3,648,358
EXPENDITURES				
Current Expenditures				
Certificated salaries	44,332,519	799,621		
Classified salaries	11,807,112	2,034,782		404,721
Employee benefits	13,983,903	910,009		108,477
Books and supplies	5,385,477	2,104,721		55,107
Services and other operating expenditures	10,372,130	355,341		980,865
Other outgo	249,630	542,331		26,897
Capital outlay	4,258,998	453,733		26,927,176
Debt service - principal			1,145,000	
Debt service - interest and other			3,183,795	
Total Expenditures	90,389,769	7,200,538	4,328,795	28,503,243
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,889,515	(95,436)	236,668	(24,854,885)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	600,001	67,259		23,731,636
Operating transfers out	(2,947,394)		(1)	(21,451,501)
Other sources				10,635,983
Total Other Financing Sources/(Uses)	(2,347,393)	67,259	(1)	12,916,118
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,542,122	(28,177)	236,667	(11,938,767)
FUND BALANCE, BEGINNING OF YEAR	9,612,181	4,167,097	1,830,836	28,046,324
FUND BALANCE, END OF YEAR	\$ 11,154,303	\$ 4,138,920	\$ 2,067,503	\$ 16,107,557

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

Fiduciary Fund Type	Total (Memorandum Only)
Expendable Trust	
	\$ 44,495,758
	<u>23,012,454</u>
	67,508,212
	8,281,656
	18,449,009
\$ 687,618	15,926,653
	<u>120,295</u>
<u>687,618</u>	<u>110,285,825</u>
	45,132,140
	14,246,615
	15,002,389
	7,545,305
719,679	12,428,015
	818,858
	31,639,907
	1,145,000
	<u>3,183,795</u>
<u>719,679</u>	<u>131,142,024</u>
<u>(32,061)</u>	<u>(20,856,199)</u>
	24,398,896
	<u>(24,398,896)</u>
	10,635,983
	<u>10,635,983</u>
(32,061)	(10,220,216)
280,575	43,937,013
<u>\$ 248,514</u>	<u>\$ 33,716,797</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 43,175,614	\$ 44,090,329	\$ 914,715
Local sources	22,721,033	23,012,454	291,421
Total Revenue Limit Sources	65,896,647	67,102,783	1,206,136
Federal revenues	4,783,821	5,178,823	395,002
Other state revenues	18,212,635	17,504,178	(708,457)
Other local revenues	5,073,478	4,373,205	(700,273)
Tuition and transfers	119,055	120,295	1,240
Total Revenues	94,085,636	94,279,284	193,648
EXPENDITURES			
Current Expenditures			
Certificated salaries	45,205,191	44,332,519	872,672
Classified salaries	12,223,698	11,807,112	416,586
Employee benefits	14,225,894	13,983,903	241,991
Books and supplies	6,577,376	5,385,477	1,191,899
Services and operating expenditures	11,100,737	10,372,130	728,607
Other outgo	375,078	249,630	125,448
Capital outlay	7,304,231	4,258,998	3,045,233
Debt service - principal			
Debt service - interest and other			
Total Expenditures	97,012,205	90,389,769	6,622,436
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(2,926,569)	3,889,515	6,816,084
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	750,000	600,001	(149,999)
Operating transfers out	(993,355)	(2,947,394)	(1,954,039)
Other sources			
Total Other Financing Sources/(Uses)	(243,355)	(2,347,393)	(2,104,038)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(3,169,924)	1,542,122	4,712,046
FUND BALANCE, BEGINNING OF YEAR	9,612,181	9,612,181	
FUND BALANCE, END OF YEAR	\$ 6,442,257	\$ 11,154,303	\$ 4,712,046

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 391,763	\$ 405,429	\$ 13,666			
391,763	405,429	13,666			
3,294,236	3,102,833	(191,403)			
888,487	864,816	(23,671)	\$ 80,015	\$ 80,015	
2,737,711	2,732,024	(5,687)	4,485,448	4,485,448	
7,312,197	7,105,102	(207,095)	4,565,463	4,565,463	
827,108	799,621	27,487			
2,070,220	2,034,782	35,438			
956,801	910,009	46,792			
2,245,286	2,104,721	140,565			
387,333	355,341	31,992			
548,087	542,331	5,756			
461,945	453,733	8,212			
			1,145,000	1,145,000	
			3,183,795	3,183,795	
7,496,780	7,200,538	296,242	4,328,795	4,328,795	
(184,583)	(95,436)	89,147	236,668	236,668	
84,750	67,259	(17,491)			
				(1) \$	(1)
84,750	67,259	(17,491)		(1)	(1)
(99,833)	(28,177)	71,656	236,668	236,667	(1)
4,167,097	4,167,097		1,830,836	1,830,836	
\$ 4,067,264	\$ 4,138,920	\$ 71,656	\$ 2,067,504	\$ 2,067,503	\$ (1)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments			
Local sources			
Total Revenue Limit Sources			
Federal revenues			
Other state revenues			
Other local revenues	\$ 2,975,210	\$ 3,648,358	\$ 673,148
Tuition and transfers			
Total Revenues	<u>2,975,210</u>	<u>3,648,358</u>	<u>673,148</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries			
Classified salaries	402,442	404,721	(2,279)
Employee benefits	108,477	108,477	
Books and supplies	72,825	55,107	17,718
Services and operating expenditures	991,992	980,865	11,127
Other outgo	24,341	26,897	(2,556)
Capital outlay	32,514,781	26,927,176	5,587,605
Debt service - principal			
Debt service - interest and other			
Total Expenditures	<u>34,114,858</u>	<u>28,503,243</u>	<u>5,611,615</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(31,139,648)</u>	<u>(24,854,885)</u>	<u>6,284,763</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	22,227,441	23,731,636	1,504,195
Operating transfers out	(22,068,836)	(21,451,501)	617,335
Other sources	14,278,857	10,635,983	(3,642,874)
Total Other Financing Sources/(Uses)	<u>14,437,462</u>	<u>12,916,118</u>	<u>(1,521,344)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(16,702,186)</u>	<u>(11,938,767)</u>	<u>4,763,419</u>
FUND BALANCE, BEGINNING OF YEAR	<u>28,046,324</u>	<u>28,046,324</u>	
FUND BALANCE, END OF YEAR	<u>\$ 11,344,138</u>	<u>\$ 16,107,557</u>	<u>\$ 4,763,419</u>

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

Total (Memorandum Only)

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 43,567,377	\$ 44,495,758	\$ 928,381
22,721,033	23,012,454	291,421
66,288,410	67,508,212	1,219,802
8,078,057	8,281,656	203,599
19,181,137	18,449,009	(732,128)
15,271,847	15,239,035	(32,812)
119,055	120,295	1,240
<u>108,938,506</u>	<u>109,598,207</u>	<u>659,701</u>
46,032,299	45,132,140	900,159
14,696,360	14,246,615	449,745
15,291,172	15,002,389	288,783
8,895,487	7,545,305	1,350,182
12,480,062	11,708,336	771,726
947,506	818,858	128,648
40,280,957	31,639,907	8,641,050
1,145,000	1,145,000	
3,183,795	3,183,795	
<u>142,952,638</u>	<u>130,422,345</u>	<u>12,530,293</u>
<u>(34,014,132)</u>	<u>(20,824,138)</u>	<u>13,189,994</u>
23,062,191	24,398,896	1,336,705
(23,062,191)	(24,398,896)	(1,336,705)
14,278,857	10,635,983	(3,642,874)
<u>14,278,857</u>	<u>10,635,983</u>	<u>(3,642,874)</u>
(19,735,275)	(10,188,155)	9,547,120
43,656,437	43,656,438	1
<u>\$ 23,921,162</u>	<u>\$ 33,468,283</u>	<u>\$ 9,547,121</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

B. Fund Accounting

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

Governmental Funds

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

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1998

Account Group

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

C. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

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

D. Budgets and Budgetary Accounting

The District's governing board adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Education satisfied these requirements.

E. Encumbrances

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

F. Inventory of Supplies

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

G. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires if the employee was hired prior to July 1, 1980.

H. Fund Balance Reserves and Designations

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

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

I. Property Tax

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

J. Deferred Revenue

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

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

L. Total (Memorandum Only) Columns on Combined Statements

The District has presented these column totals only to satisfy various reporting requirements. This information shall take into consideration that it does not represent consolidated financial information.

NOTE #2 - CASH

Cash at June 30, 1998, is presented below, categorized separately to give an indication of the level of risk assessment with each deposit:

Categorized Deposits	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Cash on hand and in banks	\$ 248,000		\$ 919,243	\$ 1,167,243	\$ 1,102,059
Cash in revolving fund	53,030			53,030	53,030
Total Deposits	<u>\$ 301,030</u>	<u>\$ 0</u>	<u>\$ 919,243</u>	<u>\$ 1,220,273</u>	<u>\$ 1,155,089</u>

*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 1998, are as follows:

The General fund transferred to the Child Development fund	\$ 67,259
The General fund transferred to the State School Building fund	183,246
The General fund transferred to the Special Reserve Capital Projects fund	2,696,889
The Debt Service fund transferred to the General fund	1
The Capital Facilities fund transferred to the State School Building fund	7,219
The State School Building fund transferred to the State School Building fund	33,741
The Special Reserve (Non-Capital) fund transferred to the General fund	600,000
The Building fund transferred to the State School Building fund	20,810,541
Total	<u>\$24,398,896</u>

NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 1998, consist of the following:

	General	Special Revenue	Capital Projects	Expendable Trust	Total
Accrued salary and benefits	\$ 945,066	\$ 19,670	\$ 2,696		\$ 967,432
Other	2,225,916	104,227	5,390,090	\$ 33,044	7,753,277
Total	<u>\$ 3,170,982</u>	<u>\$ 123,897</u>	<u>\$ 5,392,786</u>	<u>\$ 33,044</u>	<u>\$8,720,709</u>

NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 1998, consists of the following:

Federal financial assistance	<u>\$ 238,226</u>
State categorical aid	1,052,871
Other local	54,158
Total	<u>\$1,345,255</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

NOTE #8 - FUND BALANCES

Fund balances are composed of the following elements:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Reserved				
Revolving cash	\$ 50,000	\$ 3,030		
Stores inventory	275,458	89,728		
Restricted programs	795,115			
Total Reserved	<u>1,120,573</u>	<u>92,758</u>		
Unreserved				
Designated				
Economic uncertainties	4,257,711	221,242		
Other designations	5,776,019	3,824,920		\$ 16,107,556
Undesignated			\$ 2,067,503	
Total Unreserved	<u>10,033,730</u>	<u>4,046,162</u>		<u>16,107,556</u>
Total	<u>\$ 11,154,303</u>	<u>\$ 4,138,920</u>	<u>\$ 2,067,503</u>	<u>\$ 16,107,556</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

NOTE #9 - GENERAL LONG-TERM DEBT

A. Long-term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 1998, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds	\$48,950,000	\$ 10,000,000	\$ 1,145,000	\$ 57,805,000
Accumulated vacation - net	360,872	51,839		412,711
Postemployment benefits	335,181		32,306	302,875
State school building match		725,535		725,535
Capital leases	356,368		118,466	237,902
	<u>\$50,002,421</u>	<u>\$ 10,777,374</u>	<u>\$ 1,295,772</u>	<u>59,484,023</u>
Amount currently available and reserved for retirement of general long-term debt				<u>2,067,503</u>
Bond interest and redemption				<u>2,067,503</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 57,416,520</u>

B. Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Redeemed	Bonds Outstanding End of Year
3-1-93	3-1-18	7.75	\$ 5,000,000	\$ 4,895,000	\$ 45,000	\$ 4,850,000
5-1-94	5-1-19	5.85-6.1	10,000,000	9,535,000	245,000	9,290,000
5-15-95	2-1-20	5.90-6.13	20,000,000	19,630,000	390,000	19,240,000
6-1-96	2-1-21	5.0-8.0	15,000,000	14,890,000	285,000	14,605,000
7-15-97	2-1-22	5.0	10,000,000	10,000,000	180,000	9,820,000
				<u>\$ 48,950,000</u>	<u>\$ 965,000</u>	<u>\$ 57,805,000</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
1999	\$ 1,220,000	\$ 3,358,166	\$ 4,578,166
2000	1,295,000	3,275,736	4,570,736
2001	1,380,000	3,188,221	4,568,221
2002	1,475,000	3,095,266	4,570,266
2003	1,570,000	3,006,274	4,576,274
Thereafter	50,865,000	36,469,756	87,334,756
	<u>\$ 57,805,000</u>	<u>\$ 52,393,419</u>	<u>\$ 110,198,419</u>

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 1998, amounted to \$412,711.

D. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. Currently, 25 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees' premiums are paid. During the year, expenditures of \$163,923 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 1998, amounts to \$302,875. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in affect at June 30, 1998, multiplied by the number of years of payments remaining.

E. Capital Leases

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

	<u>Vans</u>	<u>Equipment</u>	<u>Total</u>
Balance, Beginning of Year	\$ 376	\$ 414,428	\$ 414,804
Payments	(376)	(136,285)	(136,661)
Balance, End of Year	<u>\$ 0</u>	<u>\$ 278,143</u>	<u>\$ 278,143</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
1999	\$ 136,285
2000	136,285
2001	5,573
Total	<u>278,143</u>
Less: Amount Representing Interest	(40,241)
Present Value of Minimum Lease Payments	<u>\$ 237,902</u>

F. State School Building Match

The District has agreed with the Office of Public School Construction (OPSC) that the District's state school building funds owe an additional \$725,535 to the State for match requirements. The District has reached an agreement with the State that these funds will be withheld from funding for future state school building projects.

NOTE #10 - EMPLOYEE RETIREMENT SYSTEMS

A. Description of Plans

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

STRS

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

PERS

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

B. Funding Policy

STRS

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 1997-98 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 1998, 1997, and 1996 were \$3,401,744, \$2,992,920, and \$2,704,606, respectively, and equal 100% of the required contributions for each year.

PERS

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 1997-98 was 6.172% of annual payroll (decreasing to 6.033% of pay under a special funding situation effective with the January 1998 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 1998, 1997, and 1996 were \$783,142, \$887,720, and \$821,478, respectively, and equal 100% of the required contributions for each year.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$2,803,861 (7.017 percent of salaries subject to STRS) and mandated costs for STRS and PERS benefits in the amount of \$171,118 (0.415 percent of salaries subject to STRS) and \$11,952 (.093 percent of salaries subject to PERS). Under generally accepted accounting principles, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-200). These amounts also have not been recorded in these financial statements.

NOTE #11 - RISK MANAGEMENT - CLAIMS

A. Description

The District's risk management activities are recorded in the General fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. Refer to Note #13 for additional information regarding the JPAs.

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

NOTE #12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management (and legal counsel), the disposition of all litigation pending will not have a material effect on the District's financial statements.

B. Sick Leave

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

C. State and Federal Allowances, Awards and Grants

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

D. Construction Commitments

As of June 30, 1998, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Two Bunch Palms Elementary	\$ 3,511,460	12/01/98
Two Bunch Palms Elementary	283,700	12/01/98
Desert Hot Springs High School	9,244,142	04/01/99
Service Center	861,111	01/01/99
	<u>\$ 13,900,413</u>	

E. State School Building Match

The District has amounts set up as accounts receivable in the State School Building Funds for projects that have not been approved for State funding. These projects within the State School Building Fund have been approved as state school building projects, but have not been approved for state school building funding. The District believes that with the passage of the most recent state school building bond on November 3, 1998 that these projects will be approved for State funding.

In addition the Office of Public School Construction (OPSC) has provided the District with Exhibit A's for several of the completed state school building projects. (This is the form prepared by OPSC to summarize the financial status of each project.) As of June 30, 1998 the District was in the process of submitting additional documentation for approximately \$700,000 of costs questioned by OPSC. The ultimate outcome of the eligibility for these costs is unknown as of the audit date. As of the audit date there are also several projects for which the Exhibit A has not been received.

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

NOTE #13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Desert School's Self-Insurance Program for Employees (DSSIPE), Riverside School's Insurance Authority (RSIA), and Riverside Employer/Employee's Partnership for Benefits (REEP) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998**

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

E. Condensed Audited Financial Information Follows

	<u>June 30, 1997*</u>	<u>June 30, 1997*</u>	<u>June 30, 1997*</u>
Assets	\$ 5,992,042	\$ 8,932,523	\$ 11,955,477
Liabilities	(3,507,435)	(4,129,821)	(2,115,110)
Fund Equity	<u>\$ 2,484,607</u>	<u>\$ 4,802,702</u>	<u>\$ 9,840,367</u>
Revenues	724,152	5,244,827	20,206,862
Expenses	(1,994,317)	(5,061,496)	(18,599,770)
Gain on investment	35,335		
Net Increase in Fund Equity	<u>\$ (1,234,830)</u>	<u>\$ 183,331</u>	<u>\$ 1,607,092</u>

* Most recent information available.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

NOTE #14 - TAX AND REVENUE ANTICIPATION NOTES

On July 2, 1997, the District issued \$4,975,000 Tax and Revenue Anticipation Notes bearing interest at 3.85 percent. Interest and principal were due and payable on July 2, 1998. By April 1, 1998, the District had placed 100% of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$4,975,000 and related accrued interest and cash held in trust are not included in these financial statements.

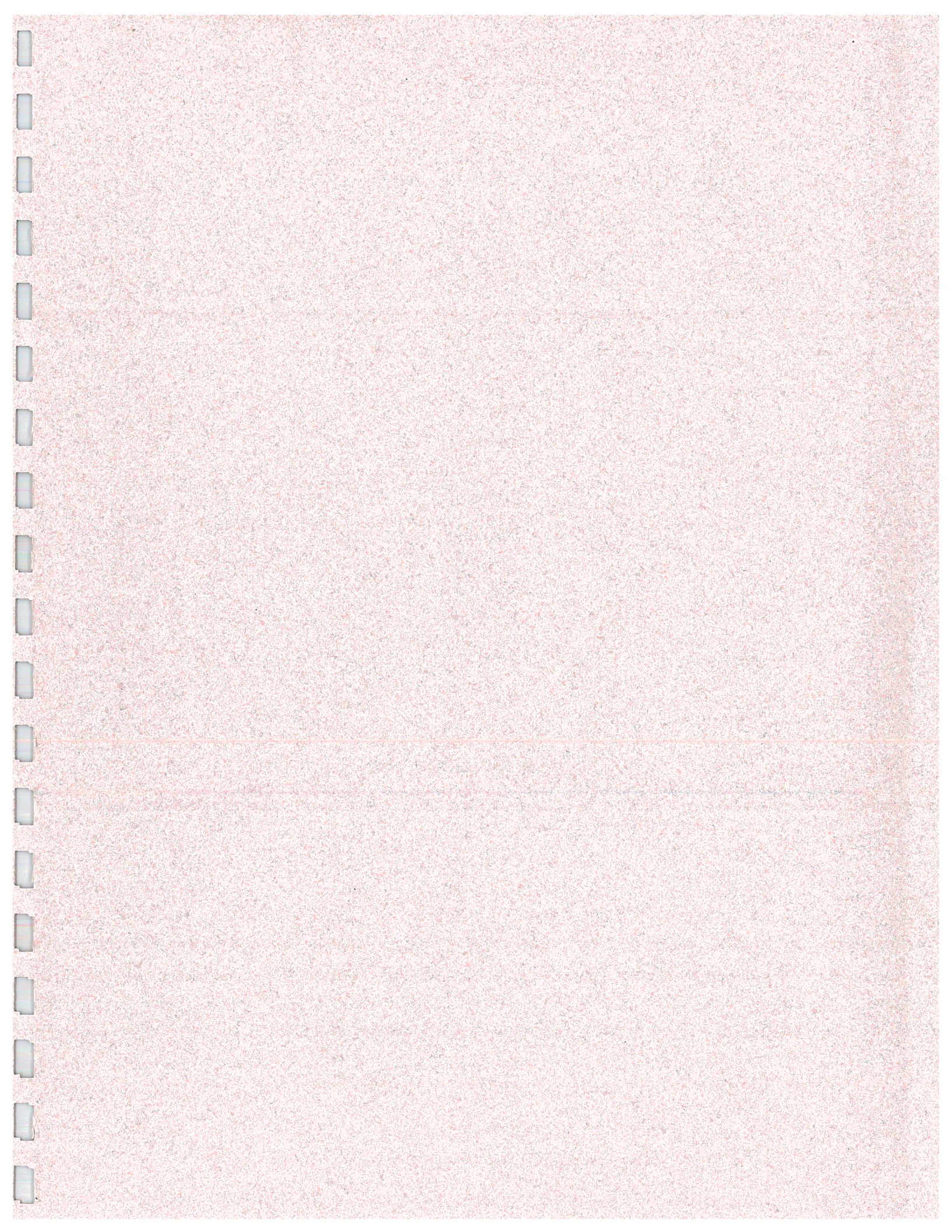
NOTE #15 - SUBSEQUENT EVENTS

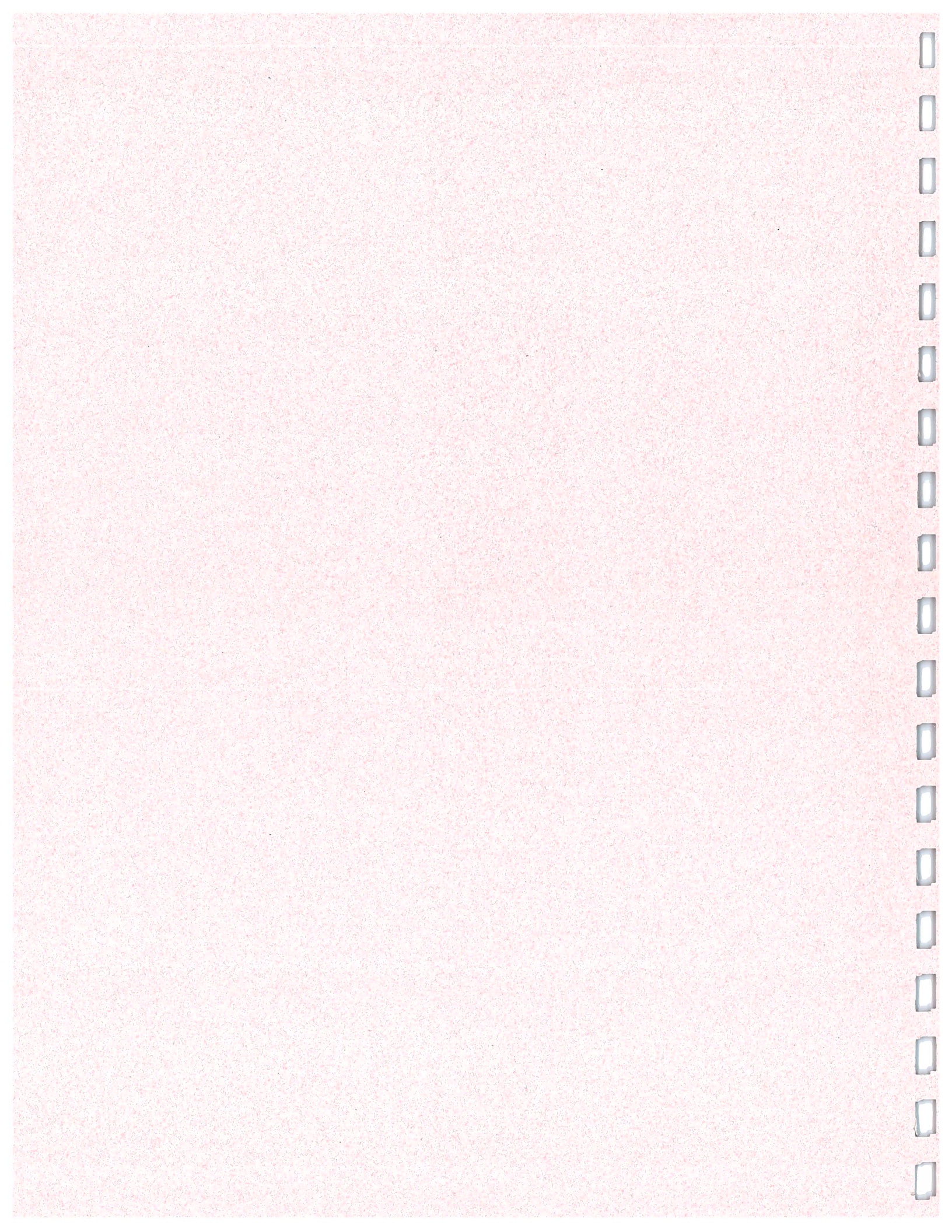
The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 2, 1998. The notes mature on July 2, 1999, yield 3.74 percent, and were sold at a premium of \$31,600. The District is required to deposit with the District payment account an amount equal to 35 percent of the total of principal and interest due by January 1999, 45 percent by February 1998, 55 percent by March 1998, 65 percent by April 1998, and 100 percent by May 1998.

NOTE #16 - CHANGE IN ACCOUNTING PRINCIPLES

The District adopted provisions of Governmental Accounting Standards Board (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," as of July 1, 1997. GASB 31 establishes accounting and financial standards for investments in interest earning investment contracts, external investment pools, open-end mutual funds, debt securities and equity securities. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including change in fair value of investments, is recognized as revenue in the operating or other statement of activities.

There were no material differences between reported value and fair value as of July 1, 1997, and June 30, 1998.





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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998**

	Adult Education	Cafeteria	Child Development	Deferred Maintenance
ASSETS				
Cash		\$ 644,104	\$ 2,000	
Investments	\$ 99,177		87,383	\$ 48,901
Accounts receivable	50,454	516,488	77,902	1,472
Due from other funds	25,000		67,270	
Stores inventory		89,728		
Total Assets	<u>\$ 174,631</u>	<u>\$ 1,250,320</u>	<u>\$ 234,555</u>	<u>\$ 50,373</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	18,635	68,732	32,622	3,908
Due to other funds	93,709	908,336	196,742	
Total Liabilities	<u>112,344</u>	<u>977,068</u>	<u>229,364</u>	<u>3,908</u>
FUND EQUITY				
Fund balances				
Reserved			2,000	
Unreserved		90,758		
Designated	62,287	182,494	3,191	46,465
Total Fund Equity	<u>62,287</u>	<u>273,252</u>	<u>5,191</u>	<u>46,465</u>
Total Liabilities and Fund Equity	<u>\$ 174,631</u>	<u>\$ 1,250,320</u>	<u>\$ 234,555</u>	<u>\$ 50,373</u>

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

Special Reserve	Total
	\$ 646,104
\$ 1,259,269	1,494,730
17,316	663,632
2,475,140	2,567,410
	89,728
<u>\$ 3,751,725</u>	<u>\$ 5,461,604</u>

	123,897
	1,198,787
	<u>1,322,684</u>

	92,758
<u>3,751,725</u>	<u>4,046,162</u>
<u>3,751,725</u>	<u>4,138,920</u>
<u>\$ 3,751,725</u>	<u>\$ 5,461,604</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	Adult Education		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources	\$ 391,763	\$ 405,429	\$ 13,666
Federal revenues	91,738	92,548	810
Other state revenues	16,000	5,437	(10,563)
Other local revenues	154,000	115,494	(38,506)
Total Revenues	<u>653,501</u>	<u>618,908</u>	<u>(34,593)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	335,701	325,508	10,193
Classified salaries	96,428	91,956	4,472
Employee benefits	84,024	78,571	5,453
Books and supplies	52,808	53,776	(968)
Services and operating expenditures	82,534	70,872	11,662
Other outgo	41,366	39,595	1,771
Capital outlay	26,252	11,361	14,891
Total Expenditures	<u>719,113</u>	<u>671,639</u>	<u>47,474</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(65,612)</u>	<u>(52,731)</u>	<u>12,881</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in			
Total Other Financing Sources/(Uses)			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(65,612)	(52,731)	12,881
FUND BALANCE, BEGINNING OF YEAR	115,018	115,018	
FUND BALANCE, END OF YEAR	<u>\$ 49,406</u>	<u>\$ 62,287</u>	<u>\$ 12,881</u>

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

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,202,498	\$ 3,010,285	\$ (192,213)			
212,703	203,779	(8,924)	\$ 307,488	\$ 307,491	3
1,604,384	1,630,087	25,703	911,327	911,200	\$ (127)
5,019,585	4,844,151	(175,434)	1,218,815	1,218,691	(124)
			491,407	474,113	17,294
1,554,724	1,486,565	68,159	419,068	456,261	(37,193)
639,015	598,363	40,652	233,762	233,075	687
2,095,406	1,999,101	96,305	96,362	51,133	45,229
107,538	107,883	(345)	19,082	14,180	4,902
464,837	452,238	12,599	41,884	50,498	(8,614)
191,349	196,529	(5,180)		1,499	(1,499)
5,052,869	4,840,679	212,190	1,301,565	1,280,759	20,806
(33,284)	3,472	36,756	(82,750)	(62,068)	20,682
			84,750	67,259	(17,491)
			84,750	67,259	(17,491)
(33,284)	3,472	36,756	2,000	5,191	3,191
269,780	269,780				
\$ 236,496	\$ 273,252	\$ 36,756	\$ 2,000	\$ 5,191	\$ 3,191

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	Deferred Maintenance		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
Federal revenues			
Other state revenues	\$ 352,296	\$ 348,109	\$ (4,187)
Other local revenues	6,000	6,552	552
Total Revenues	<u>358,296</u>	<u>354,661</u>	<u>(3,635)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies	710	711	(1)
Services and operating expenditures	178,179	162,406	15,773
Other outgo			
Capital outlay	244,344	244,344	
Total Expenditures	<u>423,233</u>	<u>407,461</u>	<u>15,772</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(64,937)</u>	<u>(52,800)</u>	<u>12,137</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in			
Total Other Financing Sources/(Uses)			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(64,937)	(52,800)	12,137
FUND BALANCE, BEGINNING OF YEAR	99,265	99,265	
FUND BALANCE, END OF YEAR	<u>\$ 34,328</u>	<u>\$ 46,465</u>	<u>\$ 12,137</u>

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

Special Reserve			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$ 391,763	\$ 405,429	\$ 13,666
			3,294,236	3,102,833	(191,403)
			888,487	864,816	(23,671)
\$ 62,000	\$ 68,691	\$ 6,691	2,737,711	2,732,024	(5,687)
62,000	68,691	6,691	7,312,197	7,105,102	(207,095)
			827,108	799,621	27,487
			2,070,220	2,034,782	35,438
			956,801	910,009	46,792
			2,245,286	2,104,721	140,565
			387,333	355,341	31,992
			548,087	542,331	5,756
			461,945	453,733	8,212
			7,496,780	7,200,538	296,242
62,000	68,691	6,691	(184,583)	(95,436)	89,147
			84,750	67,259	(17,491)
			84,750	67,259	(17,491)
62,000	68,691	6,691	(99,833)	(28,177)	71,656
3,683,034	3,683,034		4,167,097	4,167,097	
\$ 3,745,034	\$ 3,751,725	\$ 6,691	\$ 4,067,264	\$ 4,138,920	\$ 71,656

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998**

	<u>Bond Interest and Redemption</u>	<u>Debt Service COP</u>	<u>Total</u>
ASSETS			
Cash			
Investments	\$ 2,067,503		\$ 2,067,503
Accounts receivable			
Total Assets	<u>\$ 2,067,503</u>		<u>\$ 2,067,503</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Total Liabilities			
FUND EQUITY			
Fund balances			
Unreserved			
Undesignated	2,067,503		2,067,503
Total Fund Equity	<u>2,067,503</u>		<u>2,067,503</u>
Total Liabilities and Fund Equity	<u>\$ 2,067,503</u>		<u>\$ 2,067,503</u>

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

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Bond Interest and Redemption</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
REVENUES			
Other state revenues	\$ 80,015	\$ 80,015	
Other local revenues	4,485,448	4,485,448	
Total Revenues	<u>4,565,463</u>	<u>4,565,463</u>	
EXPENDITURES			
Current Expenditures			
Debt service - principal	1,145,000	1,145,000	
Debt service - interest and other	3,183,795	3,183,795	
Total Expenditures	<u>4,328,795</u>	<u>4,328,795</u>	
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>236,668</u>	<u>236,668</u>	
OTHER FINANCING USES			
Operating transfers out			
Total Other Financing Uses			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>236,668</u>	<u>236,668</u>	
FUND BALANCE, BEGINNING OF YEAR	<u>1,830,835</u>	<u>1,830,835</u>	
FUND BALANCE, END OF YEAR	<u>\$ 2,067,503</u>	<u>\$ 2,067,503</u>	

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

Debt Service COP			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$ 80,015	\$ 80,015	
			4,485,448	4,485,448	
			4,565,463	4,565,463	
			1,145,000	1,145,000	
			3,183,795	3,183,795	
			4,328,795	4,328,795	
			236,668	236,668	
	\$ (1)	\$ (1)		(1)	\$ (1)
	1	1		1	1
	(1)	(1)	236,668	236,667	(1)
	1	1	\$ 1,830,835	1,830,836	1
			\$ 2,067,503	\$ 2,067,503	

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998**

	Building	Capital Facilities	State School Building	Special Reserve
ASSETS				
Investments	\$ 10,313,883	\$ 107,270	\$ 646,869	\$ 135,750
Accounts receivable	194,423	1,611,927	2,080,556	1,867
Due from other funds	30,844,263	2,508	36,594,498	4,951,030
Total Assets	<u>\$ 41,352,569</u>	<u>\$ 1,721,705</u>	<u>\$ 39,321,923</u>	<u>\$ 5,088,647</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	39,892	128,919	5,223,975	
Due to other funds	32,490,245	410,733	32,483,523	600,000
Total Liabilities	<u>32,530,137</u>	<u>539,652</u>	<u>37,707,498</u>	<u>600,000</u>
FUND EQUITY				
Fund balances				
Unreserved				
Designated	8,822,432	1,182,052	1,614,425	4,488,647
Total Fund Equity	<u>8,822,432</u>	<u>1,182,052</u>	<u>1,614,425</u>	<u>4,488,647</u>
Total Liabilities and Fund Equity	<u>\$ 41,352,569</u>	<u>\$ 1,721,704</u>	<u>\$ 39,321,923</u>	<u>\$ 5,088,647</u>

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

Total

\$ 12,708,429
2,384,116
72,392,299
\$ 87,484,844

5,392,786
65,984,501
71,377,287

16,107,556
16,107,556

\$ 87,484,843

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	Building		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 1,048,000	\$ 1,154,243	\$ 106,243
Total Revenues	<u>1,048,000</u>	<u>1,154,243</u>	<u>106,243</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies	517	517	
Services and operating expenditures	153,537	152,149	1,388
Other outgo			
Capital outlay	<u>827,683</u>	<u>638,257</u>	<u>189,426</u>
Total Expenditures	<u>981,737</u>	<u>790,923</u>	<u>190,814</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>66,263</u>	<u>363,320</u>	<u>297,057</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in			
Operating transfers out	(21,174,806)	(20,810,541)	364,265
Other sources	10,000,000	10,000,000	
Total Other Financing Sources/(Uses)	<u>(11,174,806)</u>	<u>(10,810,541)</u>	<u>364,265</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(11,108,543)	(10,447,221)	661,322
FUND BALANCE, BEGINNING OF YEAR	19,269,653	19,269,653	
FUND BALANCE, END OF YEAR	<u>\$ 8,161,110</u>	<u>\$ 8,822,432</u>	<u>\$ 661,322</u>

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

Capital Facilities			State School Building		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,880,710	\$ 2,437,137	\$ 556,427	\$ 36,500	\$ 46,072	\$ 9,572
1,880,710	2,437,137	556,427	36,500	46,072	9,572
402,442	404,721	(2,279)			
108,477	108,477				
72,308	54,590	17,718			
838,455	828,716	9,739			
24,341	26,897	(2,556)			
187,700	160,506	27,194	29,095,350	23,754,315	5,341,035
1,633,723	1,583,907	49,816	29,095,350	23,754,315	5,341,035
246,987	853,230	606,243	(29,058,850)	(23,708,243)	5,350,607
			21,527,082	21,034,747	(492,335)
(110,289)	(7,219)	103,070	(33,741)	(33,741)	
			4,278,857	635,983	(3,642,874)
(110,289)	(7,219)	103,070	25,772,198	21,636,989	(4,135,209)
136,698	846,011	709,313	(3,286,652)	(2,071,254)	1,215,398
336,042	336,042		3,685,679	3,685,679	
\$ 472,740	\$ 1,182,053	\$ 709,313	\$ 399,027	\$ 1,614,425	\$ 1,215,398

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1998**

	Special Reserve		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 10,000	\$ 10,906	\$ 906
Total Revenues	<u>10,000</u>	<u>10,906</u>	<u>906</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries			
Classified salaries			
Employee benefits			
Books and supplies			
Services and operating expenditures			
Other outgo			
Capital outlay	2,404,048	2,374,098	29,950
Total Expenditures	<u>2,404,048</u>	<u>2,374,098</u>	<u>29,950</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(2,394,048)</u>	<u>(2,363,192)</u>	<u>30,856</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	700,359	2,696,889	1,996,530
Operating transfers out	(750,000)	(600,000)	150,000
Other sources			
Total Other Financing Sources/(Uses)	<u>(49,641)</u>	<u>2,096,889</u>	<u>2,146,530</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(2,443,689)</u>	<u>(266,303)</u>	<u>2,177,386</u>
FUND BALANCE, BEGINNING OF YEAR	<u>4,754,950</u>	<u>4,754,950</u>	
FUND BALANCE, END OF YEAR	<u>\$ 2,311,261</u>	<u>\$ 4,488,647</u>	<u>\$ 2,177,386</u>

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

	Total		
Budget	Actual	Variance Favorable (Unfavorable)	
\$ 2,975,210	\$ 3,648,358	\$ 673,148	
<u>2,975,210</u>	<u>3,648,358</u>	<u>673,148</u>	
402,442	404,721	(2,279)	
108,477	108,477		
72,825	55,107	17,718	
991,992	980,865	11,127	
24,341	26,897	(2,556)	
<u>32,514,781</u>	<u>26,927,176</u>	<u>5,587,605</u>	
<u>34,114,858</u>	<u>28,503,243</u>	<u>5,611,615</u>	
<u>(31,139,648)</u>	<u>(24,854,885)</u>	<u>6,284,763</u>	
22,227,441	23,731,636	1,504,195	
(22,068,836)	(21,451,501)	617,335	
<u>14,278,857</u>	<u>10,635,983</u>	<u>(3,642,874)</u>	
<u>14,437,462</u>	<u>12,916,118</u>	<u>(1,521,344)</u>	
(16,702,186)	(11,938,767)	4,763,419	
28,046,324	28,046,324		
<u>\$ 11,344,138</u>	<u>\$ 16,107,557</u>	<u>\$ 4,763,419</u>	

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
EXPENDABLE TRUST FUNDS
STUDENT BODY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998**

	<u>Alvah F.Hicks Award Funds</u>	<u>High Schools</u>	<u>Middle Schools</u>	<u>Total</u>
ASSETS				
CASH				
Cash in checking	\$ 2,052	\$ 150,158	\$ 82,050	\$ 234,260
Cash in savings		20,679		20,679
Certificates of deposit		204,046		204,046
Total Assets	<u>\$ 2,052</u>	<u>\$ 374,883</u>	<u>\$ 82,050</u>	<u>\$ 458,985</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable		<u>25,584</u>	<u>7,460</u>	<u>33,044</u>
TRUST FUNDS				
Balance, Beginning of Year	2,011	124,001	22,333	148,345
Receipts	41	563,344	119,457	682,842
Disbursements		(539,445)	(114,315)	(653,760)
Balance, End of Year	<u>2,052</u>	<u>147,900</u>	<u>27,475</u>	<u>177,427</u>
FUND BALANCE		<u>201,399</u>	<u>47,115</u>	<u>248,514</u>
Total Liabilities and Fund Balance	<u>\$ 2,052</u>	<u>\$ 374,883</u>	<u>\$ 82,050</u>	<u>\$ 458,985</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

EXPENDABLE TRUST FUNDS

STUDENT BODY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1998

	High Schools	Middle Schools	Total
REVENUES			
Yearbooks	\$ 63,518	\$ 31,683	\$ 95,201
Athletics	47,268		47,268
General student body	241,665	208,700	450,365
Interest	5,942		5,942
Testing	15,990		15,990
Student store	71,140	1,712	72,852
Total Revenues	<u>445,523</u>	<u>242,095</u>	<u>687,618</u>
EXPENDITURES			
Yearbooks	79,330	39,102	118,432
Athletics	94,414		94,414
General student body	198,793	188,841	387,634
Testing	17,142		17,142
Student store	54,129	2,253	56,382
Net decrease	45,675		45,675
Total Expenditures	<u>489,483</u>	<u>230,196</u>	<u>719,679</u>
INCREASE (DECREASE) IN FUND BALANCE	(43,960)	11,899	(32,061)
FUND BALANCE, BEGINNING OF YEAR	245,359	35,216	280,575
FUND BALANCE, END OF YEAR	<u>\$ 201,399</u>	<u>\$ 47,115</u>	<u>\$ 248,514</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
EXPENDABLE TRUST FUNDS
STUDENT BODY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998**

	<u>Alvah F.Hicks Award Funds</u>	<u>High Schools</u>	<u>Middle Schools</u>	<u>Total</u>
ASSETS				
CASH				
Cash in checking	\$ 2,052	\$ 150,158	\$ 82,050	\$ 234,260
Cash in savings		20,679		20,679
Certificates of deposit		204,046		204,046
Total Assets	<u>\$ 2,052</u>	<u>\$ 374,883</u>	<u>\$ 82,050</u>	<u>\$ 458,985</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable		<u>25,584</u>	<u>7,460</u>	<u>33,044</u>
TRUST FUNDS				
Balance, Beginning of Year	2,011	124,001	22,333	148,345
Receipts	41	563,344	119,457	682,842
Disbursements		(539,445)	(114,315)	(653,760)
Balance, End of Year	<u>2,052</u>	<u>147,900</u>	<u>27,475</u>	<u>177,427</u>
FUND BALANCE		<u>201,399</u>	<u>47,115</u>	<u>248,514</u>
Total Liabilities and Fund Balance	<u>\$ 2,052</u>	<u>\$ 374,883</u>	<u>\$ 82,050</u>	<u>\$ 458,985</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

EXPENDABLE TRUST FUNDS

STUDENT BODY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1998

	High Schools	Middle Schools	Total
REVENUES			
Yearbooks	\$ 63,518	\$ 31,683	\$ 95,201
Athletics	47,268		47,268
General student body	241,665	208,700	450,365
Interest	5,942		5,942
Testing	15,990		15,990
Student store	71,140	1,712	72,852
Total Revenues	<u>445,523</u>	<u>242,095</u>	<u>687,618</u>
EXPENDITURES			
Yearbooks	79,330	39,102	118,432
Athletics	94,414		94,414
General student body	198,793	188,841	387,634
Testing	17,142		17,142
Student store	54,129	2,253	56,382
Net decrease	45,675		45,675
Total Expenditures	<u>489,483</u>	<u>230,196</u>	<u>719,679</u>
INCREASE (DECREASE) IN FUND BALANCE	(43,960)	11,899	(32,061)
FUND BALANCE, BEGINNING OF YEAR	245,359	35,216	280,575
FUND BALANCE, END OF YEAR	<u>\$ 201,399</u>	<u>\$ 47,115</u>	<u>\$ 248,514</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

EXPENDABLE TRUST FUNDS

STUDENT BODY FUNDS

COMBINING BALANCE SHEET - HIGH SCHOOLS

JUNE 30, 1998

	<u>Cathedral City</u>	<u>Palm Springs</u>	<u>Palm Springs HS Scholarships</u>	<u>Mt. San Jacinto Continuation</u>	<u>Total</u>
ASSETS					
Cash in checking	\$ 99,959	\$ 34,475		\$ 15,724	\$ 150,158
Cash in savings		20,679			20,679
Certificates of Deposit		86,069	\$ 117,977		204,046
Total Assets	\$ 99,959	\$ 141,223	\$ 117,977	\$ 15,724	\$ 374,883
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	25,584				25,584
TRUST FUNDS					
Balance, Beginning of Year	38,567	78,915		6,519	124,001
Receipts	177,668	374,074		11,602	563,344
Disbursements	(170,421)	(356,572)		(12,452)	(539,445)
Balance, End of Year	45,814	96,417		5,669	147,900
FUND BALANCE	28,561	44,806	117,977	10,055	201,399
Total Liabilities and Fund Balance	\$ 99,959	\$ 141,223	\$ 117,977	\$ 15,724	\$ 374,883

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

EXPENDABLE TRUST FUNDS

STUDENT BODY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - HIGH SCHOOLS

FOR THE YEAR ENDED JUNE 30, 1998

	Cathedral City	Palm Springs	Palm Springs HS Scholarships	Mt. San Jacinto Continuation	Total
REVENUES					
Yearbooks	\$ 38,911	\$24,607			\$ 63,518
Athletics	6,581	40,687			47,268
General student body	195,135	28,990		\$ 17,540	241,665
Interest		5,942			5,942
Testing		15,990			15,990
Student store		71,140			71,140
Total Revenues	240,627	187,356		17,540	445,523
EXPENDITURES					
Yearbooks	39,179	40,151			79,330
Athletics	43,346	51,068			94,414
General student body	159,443	25,927		13,423	198,793
Testing		17,142			17,142
Student store		54,129			54,129
Net decrease			\$ 45,675		45,675
Total Expenditures	241,968	188,417	45,675	13,423	489,483
INCREASE (DECREASE)					
IN FUND BALANCE	(1,341)	(1,061)	(45,675)	4,117	(43,960)
FUND BALANCE, BEGINNING OF YEAR	29,902	45,867	163,652	5,938	245,359
FUND BALANCE, END OF YEAR	\$ 28,561	\$44,806	\$ 117,977	\$ 10,055	\$201,399

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
EXPENDABLE TRUST FUNDS
COMBINING BALANCE SHEET - MIDDLE SCHOOLS
JUNE 30, 1998**

	James Workman	Nellie Coffman	Raymond Cree	Desert Springs	Total
ASSETS					
Cash in checking	\$ 40,390	\$ 18,453	\$ 12,889	\$ 10,318	\$ 82,050
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	2,632		4,828		7,460
TRUST FUNDS					
Balance, Beginning of Year	5,436	4,485	4,835	7,577	22,333
Receipts	39,440	58,674	14,565	6,778	119,457
Disbursements	(39,995)	(51,372)	(15,670)	(7,278)	(114,315)
Balance, End of Year	4,881	11,787	3,730	7,077	27,475
FUND BALANCE	<u>32,877</u>	<u>6,666</u>	<u>4,331</u>	<u>3,241</u>	<u>47,115</u>
Total Liabilities and Fund Balance	<u>\$ 40,390</u>	<u>\$ 18,453</u>	<u>\$ 12,889</u>	<u>\$ 10,318</u>	<u>\$ 82,050</u>

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

EXPENDABLE TRUST FUNDS

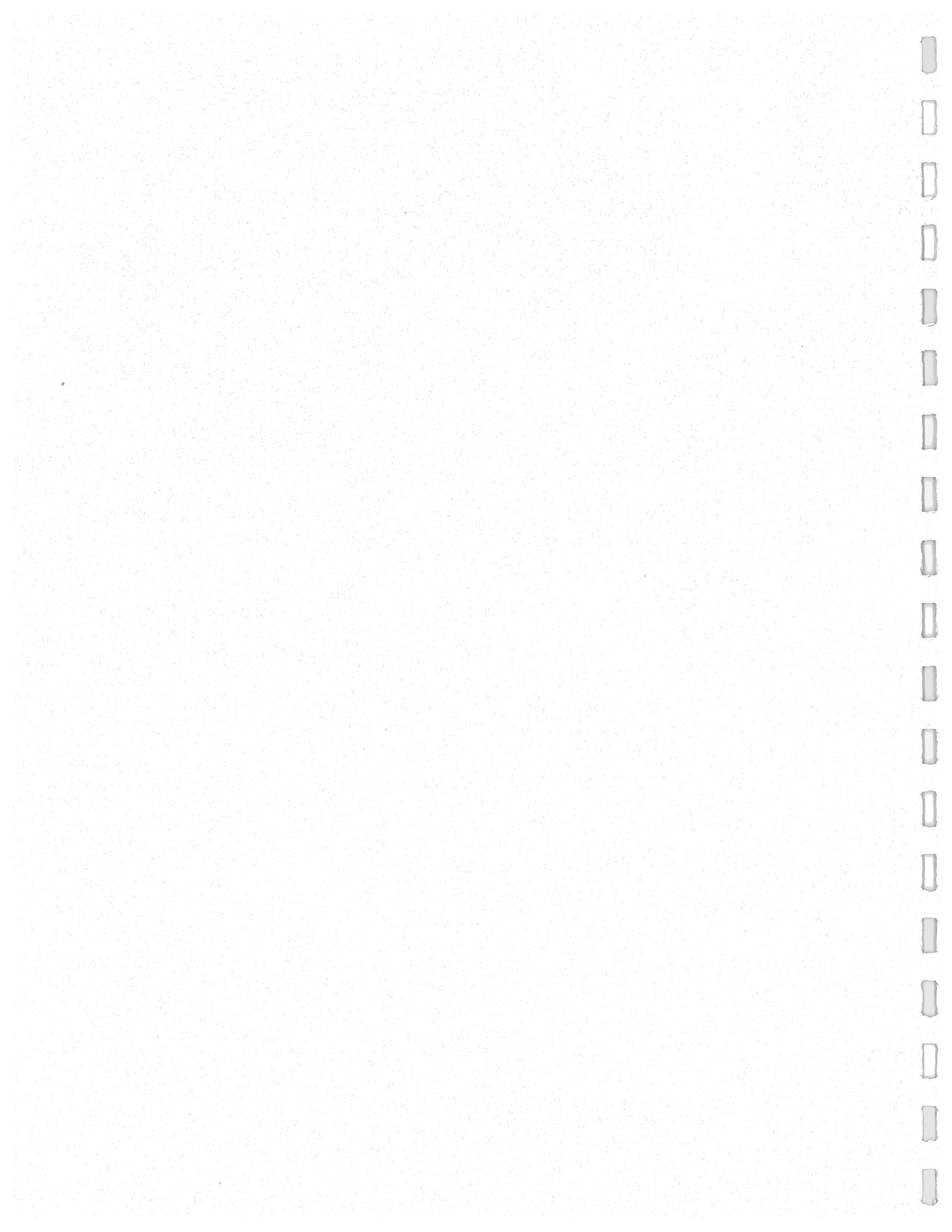
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

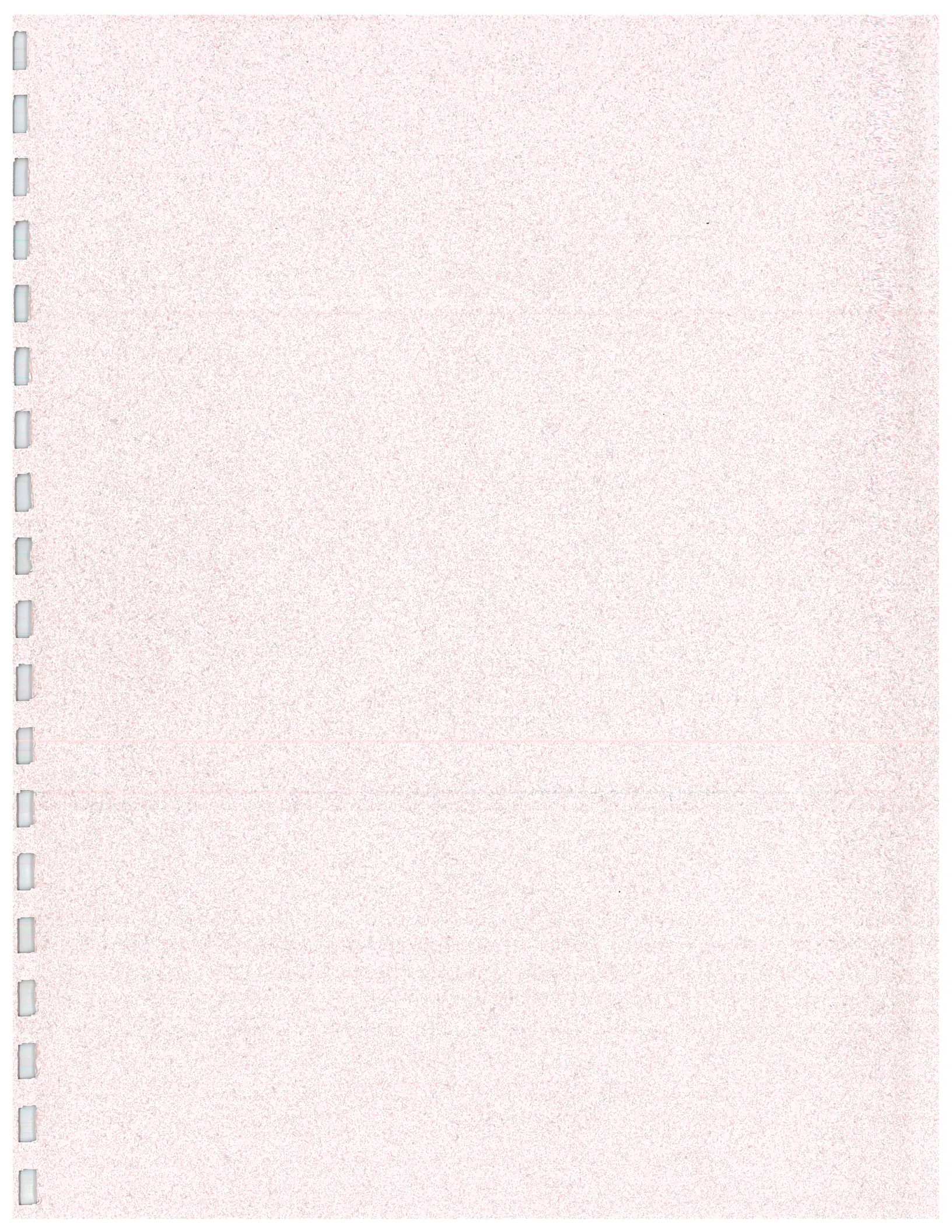
IN FUND BALANCE - MIDDLE SCHOOLS

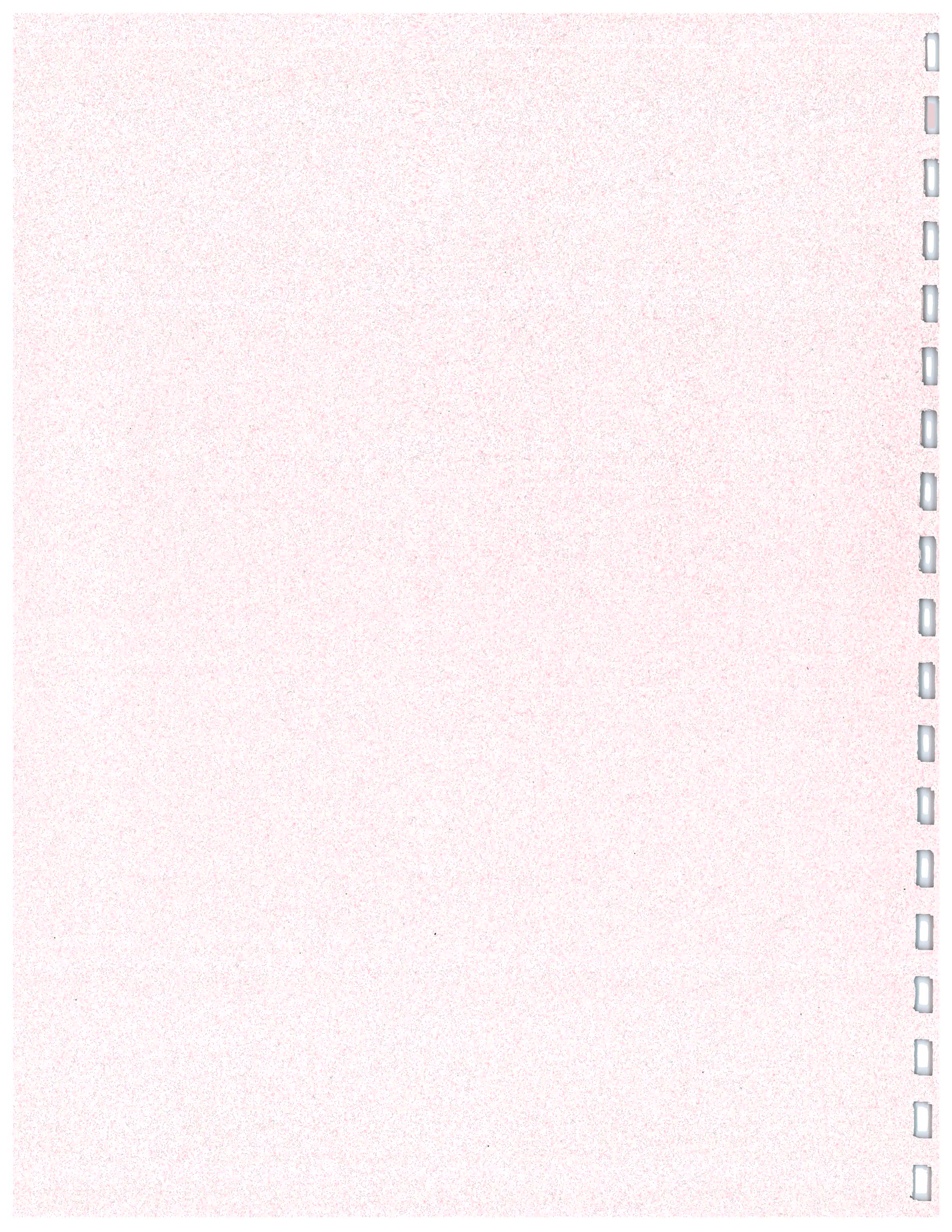
FOR THE YEAR ENDED JUNE 30, 1998

	James Workman	Nellie Coffman	Raymond Cree	Desert Springs	Total
REVENUES					
Yearbooks	\$ 9,843	\$ 6,972	\$ 7,278	\$ 7,590	\$ 31,683
General ASB	100,757	21,344	48,358	38,241	208,700
Student store		1,712			1,712
Total Revenues	<u>110,600</u>	<u>30,028</u>	<u>55,636</u>	<u>45,831</u>	<u>242,095</u>
EXPENDITURES					
Yearbook	14,611	7,031	10,694	6,766	39,102
General ASB	92,385	18,857	46,284	31,315	188,841
Student store		2,253			2,253
Total Expenditures	<u>106,996</u>	<u>28,141</u>	<u>56,978</u>	<u>38,081</u>	<u>230,196</u>
INCREASE/(DECREASE) IN FUND BALANCE	3,604	1,887	(1,342)	7,750	11,899
FUND BALANCE, BEGINNING OF YEAR	<u>29,273</u>	<u>4,779</u>	<u>5,673</u>	<u>(4,509)</u>	<u>35,216</u>
FUND BALANCE, END OF YEAR	<u>\$ 32,877</u>	<u>\$ 6,666</u>	<u>\$ 4,331</u>	<u>\$ 3,241</u>	<u>\$ 47,115</u>

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







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PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998**

PROGRAM	Federal Catalog Number	Program Entitlements		
		Current Year	Prior Year	Total Entitlement
FEDERAL				
U.S. DEPARTMENT OF EDUCATION				
Adult Education Act - PL 100-297	84.002	\$ 65,038		\$ 65,038
Elementary and Secondary Education Act				
Title I - Basic	[2] 84.010	2,496,369	\$ 190,317	2,686,686
Title II - Eisenhower Math & Science	84.164	76,321	32,235	108,556
Title IV - Drug Free Schools	84.184	92,404	206	92,610
Title VI	84.151	106,334	4,307	110,641
Title VII - Bilingual Education	84.003	246,804		246,804
Title VIIC - Emergency Immigrant Education	84.162	83,104	31,729	114,833
PL 81-874 Maintenance and Operations	84.041		15,823	15,823
Goals 2000 - Staff Development	84.276		27,145	27,145
Goals 2000 - Reading	84.276	172,382		172,382
Indian Education	84.060	12,434		12,434
Individuals with Disabilities Act				
Federal Preschool	[2] 84.027	90,613		90,613
Federal Preschool Program Specialist	[2] 84.027	2,457		2,457
Local Assistance	[2] 84.027	832,244		832,244
Low Incidence	[2] 84.027	5,358		5,358
Workability 97/98	[2] 84.027	32,626		32,626
Workability 96/97	[2] 84.027		1,729	1,729
Personnel Staff Development	[2] 84.027	6,259		6,259
Licensed Children's Institutions	[2] 84.027	109,357		109,357
Vocational Educational Grants				
Title IIC - Adult	84.003	36,450		36,450
Title IIC - Secondary	84.048	100,912		100,912
Subtotal				
U.S. DEPARTMENT OF AGRICULTURE				
Summer Feeding Program	10.556			[1]
Especially Needy Breakfast	[2] 10.553			[1]
National School Lunch Program	[2] 10.555			[1]
Forest Reserve	10.652			[1]
Subtotal				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Headstart- Basic	[2] 93.600			[1]
U.S. DEPARTMENT OF DEFENSE				
Junior Reserve Officer Training Program	93.582			[1]
Junior Reserve Officer Training Program	93.582			[1]
Subtotal				
Subtotal				

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

[2] Major program.

See accompanying note to supplementary information.

Program Revenues				
<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Total Revenue</u>	<u>Program Expenditures</u>
\$ 48,779	\$ 16,259		\$ 65,038	\$ 65,038
2,187,412	388,765		2,576,177	2,576,177
108,556		\$ 42,494	66,062	66,062
74,130	1,219		75,349	75,349
110,641		3,070	107,571	107,571
45,017	173,860		218,877	218,877
94,057		52,940	41,117	41,117
15,823			15,823	15,823
6,845			6,845	6,845
137,906		137,906		
1,512	4,198		5,710	5,710
45,307	45,306		90,613	90,613
1,229	1,228		2,457	2,457
624,183	208,061		832,244	832,244
4,018	1,340		5,358	5,358
20,391	10,797		31,188	31,188
1,729			1,729	1,729
4,695	1,564		6,259	6,259
78,413	30,944		109,357	109,357
29,185	(1,675)		27,510	27,510
75,684	19,598		95,282	95,282
<u>3,715,512</u>	<u>901,464</u>	<u>236,410</u>	<u>4,380,566</u>	<u>4,380,566</u>
12,058			12,058	12,058
2,007,862	378,505		2,386,367	2,386,367
509,150	102,710		611,860	611,860
1,603			1,603	1,603
<u>2,530,673</u>	<u>481,215</u>		<u>3,011,888</u>	<u>3,011,888</u>
617,502	154,661		772,163	772,163
<u>617,502</u>	<u>154,661</u>		<u>772,163</u>	<u>772,163</u>
3,435		1,816	1,619	1,619
110,182	5,238		115,420	115,420
<u>113,617</u>	<u>5,238</u>	<u>1,816</u>	<u>117,039</u>	<u>117,039</u>
<u>\$ 6,977,304</u>	<u>\$ 1,542,578</u>	<u>\$ 238,226</u>	<u>\$ 8,281,656</u>	<u>\$ 8,281,656</u>

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 1998

A comparison of the average daily attendance (ADA) for the current and prior school years is shown in the following summary.

	Annual Amended ADA	Second Period ADA		Increase/ (Decrease)
		Amended 1997-98	1996-97	
ELEMENTARY				
Kindergarten	1,587	1,576	1,491	85
First through third	4,773	4,774	4,716	58
Fourth through eighth	6,709	6,736	6,525	211
Home or hospital	14	12	15	(3)
Opportunity schools	36	34	27	7
Special Education	341	338	327	11
Special Education - Nonpublic			1	(1)
Total Elementary	<u>13,460</u>	<u>13,470</u>	<u>13,102</u>	<u>368</u>
SECONDARY				
Regular classes	4,008	4,058	3,953	105
Continuation education	276	282	303	(21)
Opportunity schools	26	26	28	(2)
Home and hospital	8	7	7	0
Special Education	160	160	119	41
Special Education - Nonpublic	1	1	3	(2)
Total Secondary	<u>4,479</u>	<u>4,534</u>	<u>4,413</u>	<u>121</u>
Total K-12	<u>17,939</u>	<u>18,004</u>	<u>17,515</u>	<u>489</u>
CLASSES FOR ADULTS				
Concurrently enrolled	7	6	4	2
Not concurrently enrolled	197	194	153	41
Grand Total	<u>18,143</u>	<u>18,204</u>	<u>17,672</u>	<u>532</u>
SUMMER SCHOOL/INTERSESSION - ANNUAL PUPIL HOURS OF ATTENDANCE				
Core academic programs	173,085			
Students not meeting proficiency standards	84,201			
Total Hours	<u>257,286</u>			

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>1997-98 Actual Minutes</u>	<u>Status</u>
Kindergarten	36,000	31,680	36,200	In Compliance
Grades 1 - 3	50,400	49,280	52,468	In Compliance
Grades 4 - 6	54,000	49,280	54,138	In Compliance
Grades 7 - 8	54,000	49,280	58,670	In Compliance
Grades 9 - 12	64,800	64,218	65,056	In Compliance

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>General Long- Term Debt Account Group</u>
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 1998 (Form J-249)	\$ 58,758,488
Adjustments	
Increase in:	<u>725,535</u>
Total Liabilities, June 30, 1998, Audited Financial Statement	<u><u>\$ 59,484,023</u></u>

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 1998**

	(Budget) 1999 ¹	1998	1997	1996
GENERAL FUND				
Revenues	\$ 96,526,979	\$ 94,279,284	\$ 84,618,840	\$ 75,523,075
Other sources		600,001	245	
Total Revenues and Other Sources	96,526,979	94,879,285	84,619,085	75,523,075
Expenditures	(94,274,594)	(90,389,769)	(79,491,103)	(72,022,776)
Other uses and transfers out	(384,750)	(2,947,394)	(3,907,940)	(4,987,430)
Total Expenditures and Other Uses	(94,659,344)	(93,337,163)	(83,399,043)	(77,010,206)
INCREASE/(DECREASE) IN FUND BALANCE	\$ 1,867,635	\$ 1,542,122	\$ 1,220,042	\$ (1,487,131)
ENDING FUND BALANCE	\$ 13,021,938	\$ 11,154,303	\$ 9,612,181	\$ 8,392,139
AVAILABLE RESERVES ²	\$ 3,196,754	\$ 4,257,711	\$ 6,163,185	\$ 4,266,964
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.4%	4.6%	7.4%	5.5%
LONG-TERM DEBT		\$ 58,758,488	\$ 50,002,421	\$ 50,956,311
AVERAGE DAILY ATTENDANCE AT P-2 ³	17,828	18,004	17,515	16,840

The general fund balance has increased by \$2,762,164 over the past two years. The fiscal year 1998-99 budget projects an increase of \$1,867,635 (16.7%). For a district this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 1998-99 fiscal year. Total long-term debt has increased by \$7,802,177 over the past two years.

Average daily attendance has increased by 1,164 over the past two years. No additional growth in ADA is anticipated during fiscal year 1998-99.

1 Budget 1999 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund, special reserve fund, or within any Article XIII-B trust funds. (NOTE: delete fund references that do not apply.)

3 Excludes Adult Education ADA.

See accompanying note to supplementary information.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 1998

NOTE #1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. To comply with Circular A-133 and State requirements, this schedule was prepared for the District.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which 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.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form J-200 to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information.

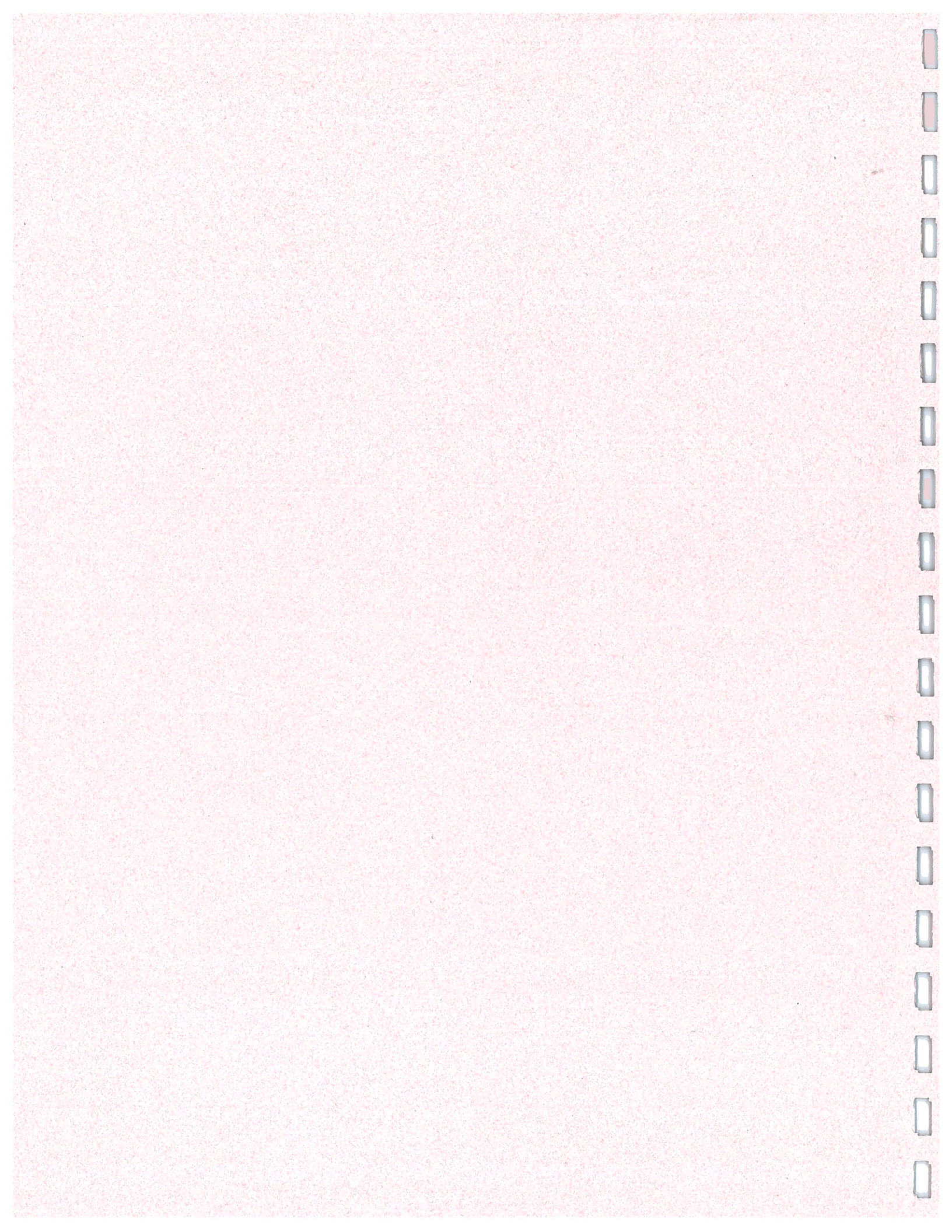
F. General Fund Selected Financial Information

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

G. Cafeteria Account Selected Financial Information

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





Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

Members:

- American Institute of Certified Public Accountants
 - SEC Practice Section
- California Society of Certified Public Accountants
 - Western Association of Accounting Firms

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

Governing Board
Palm Springs Unified School District
Palm Springs, California

We have audited the financial statements of Palm Springs Unified School District as of and for the year ended June 30, 1998, and have issued our report thereon dated October 9, 1998. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Palm Springs Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying findings and recommendations section of this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Palm Springs Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Palm Springs Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying findings and recommendations section of this report.

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

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

Vannik, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 9, 1998

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

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 - SEC Practice Section
- California Society of Certified Public Accountants
 - Western Association of Accounting Firms

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

Governing Board
Palm Springs Unified School District
Palm Springs, California

Compliance

We have audited the compliance of Palm Springs Unified School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. Palm Springs Unified School District's major federal programs are identified in the Schedule of Expenditures of Federal and State Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Palm Springs Unified School District's management. Our responsibility is to express an opinion on Palm Springs Unified School District's compliance based on our audit.

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

In our opinion, Palm Springs Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

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

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

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

Varrnik, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 9, 1998

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Palm Springs Unified School District
Palm Springs, California

We have audited the financial statements of the Palm Springs Unified School District for the year ended June 30, 1998, and have issued our report thereon dated October 9, 1998. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations of the following items:

	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting		
Attendance reporting	3	Yes
Excused/unexcused absences	2	Yes
Staff development days	3	Yes
Kindergarten enrollment	4	Yes
Independent study	19	Yes
Continuation education	14	Yes
Adult education	8	Yes
Regional occupational centers/programs	5	Not Applicable
County Office of Education programs	10	Not Applicable

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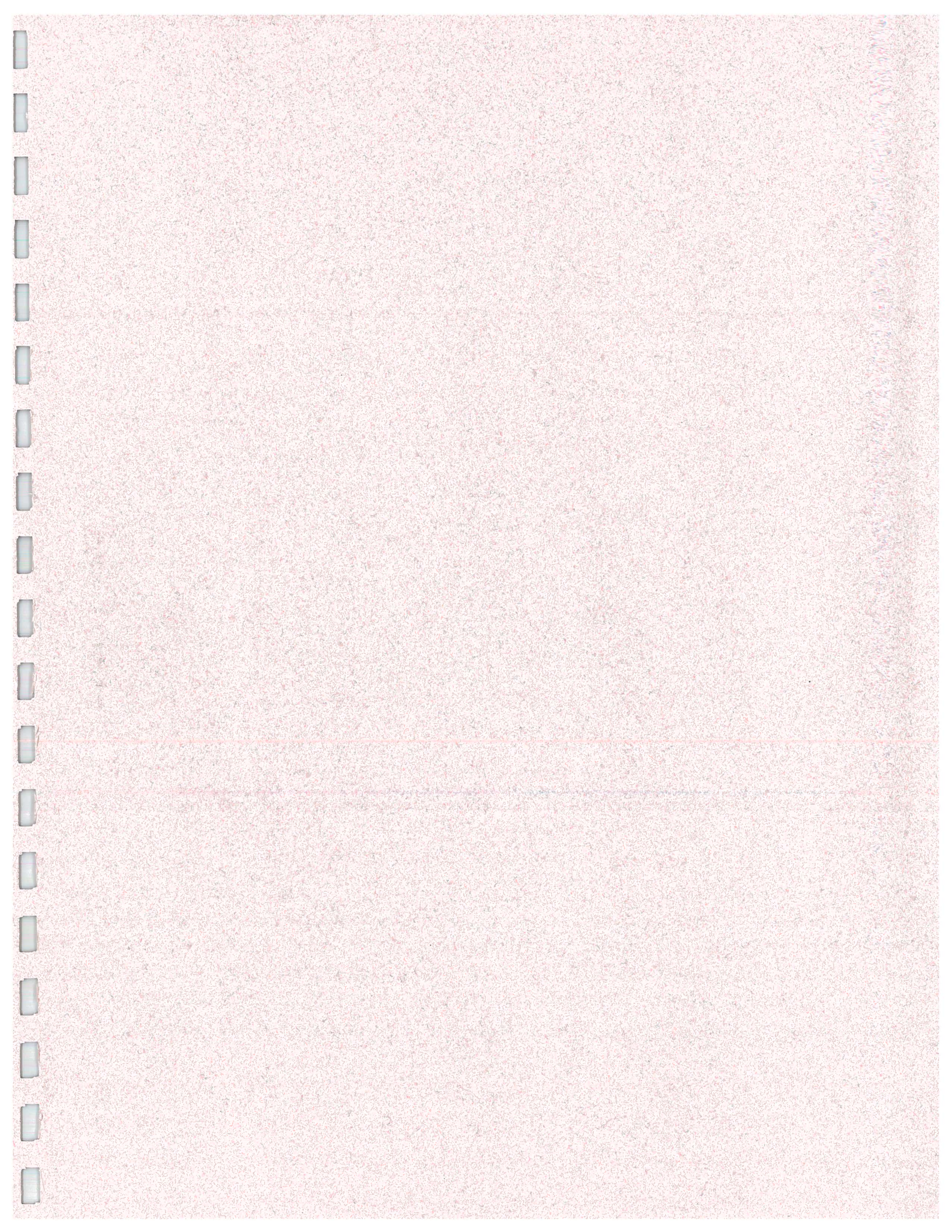
With Offices Located: Fresno
Pleasanton
Laguna Hills
San Jose
Carmichael

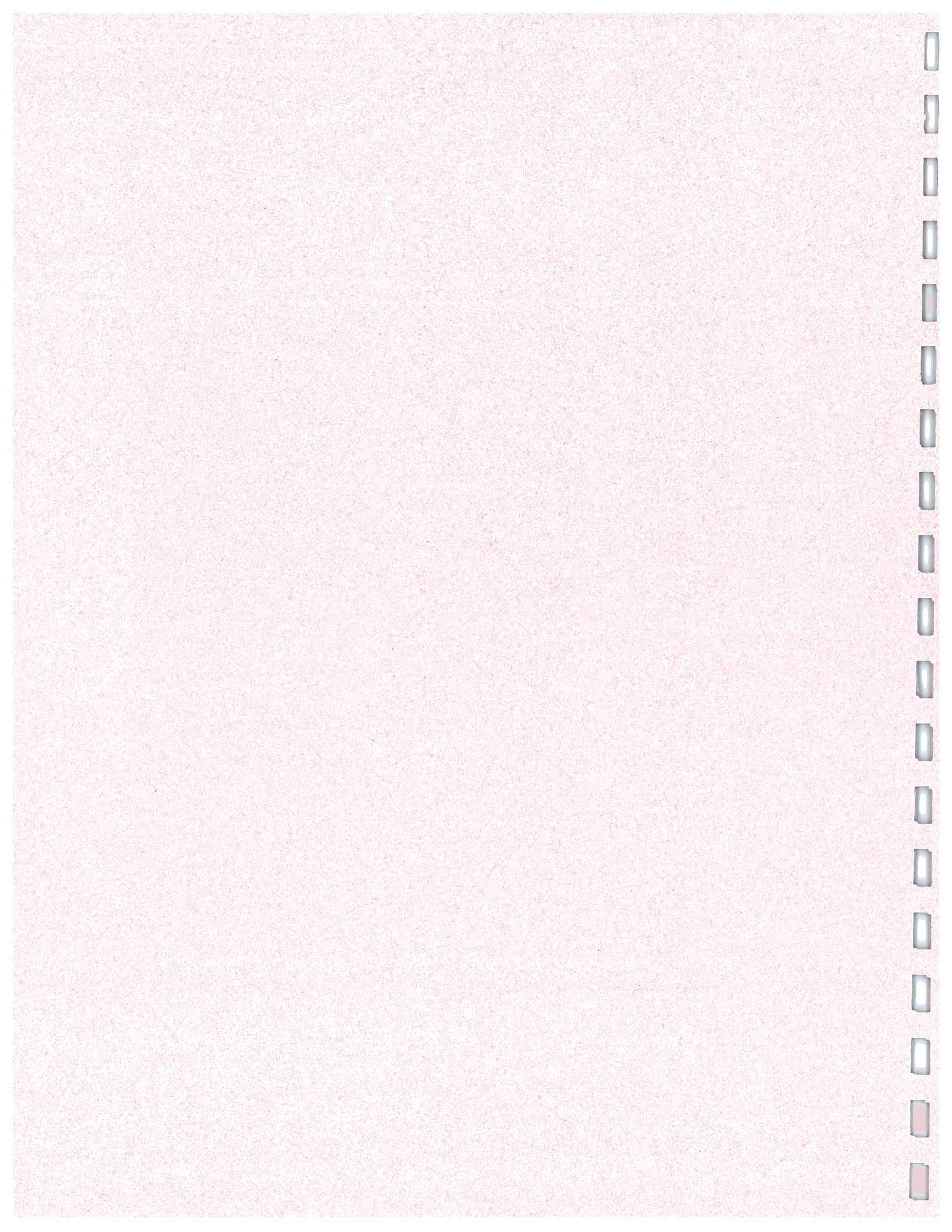
	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Incentives for Longer Instructional Day		
School districts	3	Yes
County offices of education	3	Not Applicable
Incentives for Longer Instructional Year		
School districts	2	Yes
Continuation schools	2	Yes
County offices of education	2	Not Applicable
GANN Limit Calculation	2	Yes
Early Retirement Incentive Program	5	Not Applicable
Reading Instruction Development Programs		
Grades K-3	4	Not Applicable
Grades 4-8	4	Yes
Both	4	Not Applicable
Community day schools	5	Not Applicable
Concurrent enrollment in public higher education	5	Not Applicable
Class size reduction		
Option one	12	Yes
Option two	11	Not Applicable
Both options one and two	16	Not Applicable
Class size reduction facilities	3	Yes
State Instructional Materials	8	Yes

Based on our audit, we found that, for the items tested, the Palm Springs Unified School District complied with the laws and regulations referred to above, except as described in the findings and recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Palm Springs Unified School District had not complied with the laws and regulations, except as described in the findings and recommendations section of this report.

Vannetta True Day Co, LLP

Rancho Cucamonga, California
October 9, 1998





PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 1998**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Basic</u>
<u>84.027</u>	<u>PL94-142</u>
<u>10.553</u>	<u>Especially Needy Breakfast</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>93.600</u>	<u>Head Start - Basic</u>

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

STATE AWARDS

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 1998

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
50000	Federal Compliance
60000	Miscellaneous

INTERNAL CONTROL

DISTRICT OFFICE

General Obligation Bonds – Arbitrage Calculation

1998-1 Finding (30000)

During the time between the sale of general obligation bonds to the public and the expenditure of the funds on capital projects, the bond proceeds earn interest. Arbitrage exists when the proceeds' interest earnings exceed the interest expense associated with the bonds outstanding. Government entities are limited by Federal law as to the excess interest they may collect in this manner. The District is required to obtain calculations for each bond issue to ensure that arbitrage does not exist.

Recommendation

Any amounts due to the Federal government as a result of arbitrage are required to be paid by the fifth anniversary of the bonds' issue date. The District should arrange for the required calculations to be performed.

District Response

The District agrees and has contacted a firm to perform the calculation.

*Interest earned
exceeds interest expense
limit on interest
you can earn
7 series of
Bond Issues*

PALM SPRINGS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 1998

✓ *Desert Springs, Nellie Coffman and James Workman Middle Schools, Palm Springs and Cathedral City High Schools*

1998-2 Finding (30000)

Revenue potential forms allow sponsors of fundraisers to ensure that all receipts and items sold have been properly accounted for. During the audit of the middle school student body funds, it was noted that revenue potential forms were not properly completed.

Recommendation

Revenue potential forms should note the total number of items received for sale, the number sold, the number given away, and the number remaining at the conclusion of the sale. The number sold should be multiplied by the selling price to determine the amount that should have been collected. Dates and amounts of deposits are recorded in order to ensure that all sale proceeds have been received and properly deposited.

District Response

The District will continue to work with all ASB sites to ensure that the revenue potential forms are properly completed for all appropriate fundraising events.

✓ *Palm Springs High School – Scholarship*

1998-3 Finding (30000)

During our testing of cash in the scholarship fund, bank statements were not available to substantiate the amount of cash on hands.

Recommendation

Bank statements should be maintained to document activity in the scholarship accounts. Interest on account and any disbursements made on the account should be posted at least quarterly to reflect the proper balance in the scholarship accounts. This will accurately reflect cash on the financial statements and allow tracing of monies in and out of the scholarship account.

District Response

The District has contacted the bank to obtain all of the bank statements.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

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

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 1998

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 audit findings and questioned costs.

INTERNAL ACCOUNTING CONTROL

DISTRICT OFFICE

General Obligation Bonds—Arbitrage Calculation

1997-1 Finding (30000)

During the time between the sale of general obligation bonds to the public and the expenditure of the funds on capital projects, the bond proceeds earn interest. Arbitrage exists when the proceeds' interest earnings exceed the interest expense associated with the bonds outstanding. Government entities are limited by Federal law as to the excess interest they may collect in this manner. The District is required to obtain calculations for each bond issue to ensure that arbitrage does not exist.

Recommendation

Any amounts due to the Federal government as a result of arbitrage are required to be paid by the fifth anniversary of the bonds' issue date. The District should arrange for the required calculations to be performed as soon as possible before that date.

Current Status

Not Implemented.
See current year findings and recommendations (1998-1).

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1998**

CASH RECEIPTING

Cathedral City Elementary School

1997-2 Finding (30000)

Cash is collected for blank test books and for lost library books. In the case of the test books, receipts are written once a month for each person who purchased a book during that month. Funds collected for lost library books are held at the site. If the book is found, the money is returned to the student. If the book has not been found by year end, a receipt is written and given to the student at that time. The funds are transmitted to the District Office at that time.

Recommendation

The District should review these procedures to determine if they are in compliance with District policies.

Current Status

Implemented.

Katherine Finchy Elementary School

1997-3 Finding (30000)

Money collected for lost library books is held at the site.

Recommendation

Site personnel should transmit any amounts collected, cash or checks, directly to the District Office.

Current Status

Implemented.

Desert Springs Middle School

1997-4 Finding (30000)

Any cash collected is held in the classroom until the transmittal to the District Office is prepared once a month.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 1998

Recommendation

Receipts should be written at the time money is collected, and the funds should be transmitted to the District promptly, at least once a week.

Current Status

Implemented.

Palm Springs High School

1997-5 Finding (30000)

Receipts are not written for funds collected at the site on behalf of the District.

Recommendation

Receipts should be written at the time money is collected, and the funds should be transmitted to the District promptly, at least once a week.

Current Status

Implemented.

EQUIPMENT

1997-6 Finding (20000/30000)

During the testing of the equipment listing, it was noted that several computers purchased during the 1996-97 fiscal year were not marked with the District's identification tag.

Recommendation

According to State Education Code Section 35168, all equipment with a current market value in excess of \$500 should be properly tagged and included in the District's fixed asset listing.

Current Status

Implemented.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1998**

ASSOCIATED STUDENT BODY (ASB) FUNDS

Desert Springs and Raymond Cree Middle Schools

1997-7 Finding (30000)

Cathedral City Parks and Recreation pays the stipends for sports officials. District employees receive cash prior to each game and disburse the funds to the officials at the game. Receipts or records for tax identification purposes have not been maintained.

Recommendation

All payment for officials' fees should be disbursed in the form of a check. This provides a record of the transaction. District employees should not receive any cash funds or disburse cash funds for the program that is administered by the Cathedral City Parks and Recreation.

Current Status

Implemented.

Desert Springs, Nellie Coffman and James Workman Middle Schools, Palm Springs and Cathedral City High Schools

1997-8 Finding (30000)

Revenue potential forms allow sponsors of fund-raisers to ensure that all receipts and items sold have been properly accounted for. During the audit of the middle school student body funds, it was noted that revenue potential forms were not properly completed.

Recommendation

Revenue potential forms should note the total number of items received for sale, the number sold, the number given away, and the number remaining at the conclusion of the sale. The number sold should be multiplied by the selling price to determine the amount that should have been collected. Dates and amounts of deposits are recorded in order to ensure that all sale proceeds have been received and properly deposited.

Current Status

Not Implemented.
See current year findings and recommendations (1998-2).

PALM SPRINGS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 1998

Desert Springs Middle School

1997-9 Finding (30000)

At year-end, there was a deficit balance in the general ASB accounts. By allowing the general ASB balances to operate in a negative balance, the general ASBs are actually borrowing funds from the general student body accounts.

Recommendation

Trust fund receipts, disbursements and balances should be monitored to ensure that operations do not result in a negative balance. By allowing the trust fund balances to operate in a negative balance, the trust funds are actually borrowing funds from the general student body accounts.

Current Status

Implemented.

ATTENDANCE

Mt. San Jacinto Continuation High School

1997-10 Finding (10000)

The documentation to support the attendance apportionment credited for work experience is not maintained in an orderly fashion. Pay stubs, hours worked, and other documentation should be maintained in a manner which would allow for a timely audit.

Recommendation

Documentation should be maintained in an orderly fashion to facilitate the year-end audit.

Current Status

Implemented.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1998**

KINDERGARTEN STUDENT RETENTION

Katherine Finchy Elementary School

1997-11 Finding (10000)

The State Education Code requires that a parent's approval is required when a Kindergarten student is retained. The discrepancy noted did not require an adjustment to the District's P-2 attendance report since the ADA in question was immaterial.

Recommendation

The District should review the control procedures relating to Kindergarten retention forms.

Current Status

Implemented.

